Bingham report
BCCI scandal details and analysis
Pages 10-13

Arkansas
How good is Clinton's record?
Page 20

Gatt
Dead or playing possum
Page 8

Tomorrow's Weekend FT
The 1992 clarets: a frustrating vintage

FINANCIAL TIMES

Europe's Business Newspaper | FRIDAY OCTOBER 23 1992 | D8523A

GM prepares to oust chief and speed revamp

General Motors appeared to be preparing to oust chairman Robert Stempel (left) because non-executive directors are unhappy at the pace of restructuring of the troubled vehicle builder. GM is expected next week to report third quarter losses of up to $850m due to the inefficiency of its North American operations. Page 23

Italy tries to curb deficit: Italy's parliament approved a restructuring of pensions, the health service, local government and the civil service – areas where waste has fuelled the public sector deficit. Page 22

First loss for Sears, Roebuck: US retail and insurance group Sears, Roebuck reported its first quarterly loss – of $833.7m – in its 106-year history because of claims related to hurricanes and charges concerning settlement of a lawsuit. Page 25

Evidence of cold fusion: Scientists from Japan's Nippon Telegraph and Telephone claim to have reproducible evidence for "cold fusion", once hailed as a source of limitless energy and then dismissed by many scientists. Page 6

O&Y cancels key meeting: Olympia & York has cancelled a key meeting with lenders to discuss a debt-restructuring plan amid signs that negotiations between the ailing real estate developer and its creditors will soon come to a head. Page 25

Big decline at Salomon: US trading group Salomon announced a decline in third-quarter earnings to $6m, compared with $85m a year ago, because of a huge drop in trading profits at its Wall Street securities subsidiary Salomon Brothers. Page 33

Japanese faction may split: The largest faction of Japan's ruling Liberal Democratic party was in danger of splitting as former chief cabinet secretary Keizo Obuchi was chosen as its chairman in the face of strong opposition. Page 6

Germans warned of further cuts: German economics minister Jürgen Möllemann said the slowdown in the west German economy, combined with soaring costs for east Germany, meant further budget savings of at least DM10bn ($6.5bn) must be made next year. Page 2

Income rises at AT&T: US telecommunications giant AT&T reported a 16.1 per cent rise in third-quarter operational income to $963m, helped by solid results from long-distance telecommunications and financial services. Page 25

Political battle in Moscow: Russia's political row continued, with foreign minister Andrei Kozyrev warning of hardliners trying to control foreign policy and General Alexander Rutskoi, vice-president, saying privatisation plans were designed to "rob the country". Page 3

Bush sees Vietnam progress: US president George Bush said "significant progress" had been made towards normalising relations with Vietnam. Page 22

UK business back in decline: British business suffered a "deeply disturbing" slide into a second leg of recession last month and no quick turnround is likely, British Chambers of Commerce said after surveying more than 8,200 companies employing 1.3m people. Page 22

Profits down at Albert Fisher: UK-based food processing and distribution group Albert Fisher suffered a fall in pre-tax profits from £89m ($145m) to £52.1m because of glut of fresh produce in the second half. Page 23; Lex, Page 22

Tough budget for Brazil: Acting Brazilian president Itamar Franco has abandoned plans for emergency taxes in favour of a sweeping fiscal adjustment to cover an expected $20bn shortfall in next year's budget. Page 7

Valmet cuts losses: Finnish state-owned paper machinery and engineering group Valmet has cut losses after financial items to FM213m ($44.6m) in the first eight months from FM529m in the same period last year. Sales grew by 22.3 per cent to FM5.03bn. Page 28

Cairo hit by tremor: Cairo suffered the strongest earth tremor since last week's quake. There were no reports of injuries.

STOCK MARKET INDICES

FT-SE 100:	2,658.1	(+12.4)
Yield	4.53	
FT-SE Eurotrack 100	1,021.53	(+5.99)
FT-A All-Share	1,253.65	(+0.6%)
Nikkei	17,813.84	(−128.48)
New York: lunchtime		
Dow Jones Ind Ave	3,184.13	(−2.97)
S&P Composite	413.90	(−1.77)

US LUNCHTIME RATES

Federal Funds:	2⅞%
3-mo Treas Bills: Yld	2.952%
Long Bond	95 21/32
Yield	7.597%

LONDON MONEY

3-mo Interbank	7¼%	(7⅜%)
Liffe long gilt future:	Dec 99⅜	(Dec 99½)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$20.20	(20.35)

Gold

New York Comex (Oct)	$343.1	(344.1)
London	$343.2	(343.95)

STERLING

New York lunchtime:		
$	1.6243	
London:		
$	1.625	(1.6145)
DM	2.45	(2.4325)
FFr	8.3875	(8.2575)
SFr	2.19	(2.175)
Y	195.75	(196.5)
£ Index	80.4	(79.7)

DOLLAR

New York lunchtime:		
DM	1.5075	
FFr	5.1155	
SFr	1.34735	
Y	120.65	
London:		
DM	1.5165	(1.507)
FFr	5.1225	(5.115)
SFr	1.35	(1.3475)
Y	120.7	(121.75)
$ Index	62.7	(62.7)
Tokyo close Y 122.36		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs36	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00		

Trade war looms in wake of breakdown in Gatt talks

US looks at penal tariffs on $1bn of EC exports

By Our Foreign Staff

TOP US officials met at the White House last night to consider imposing penal tariffs on $1bn of European Community *food exports annually following* the breakdown on Wednesday of talks in Brussels aimed at settling a two-year farm trade dispute.

A decision to impose trade sanctions could trigger a tit-for-tat trade subsidy war between the US and the EC. It could also jeopardise six years of multilateral negotiations under the Uruguay Round of the General Agreement on Tariffs and Trade aimed at liberalising world trade.

A senior US administration official said the meeting, chaired by President George Bush, was considering retaliation in the oil seeds dispute. "There is a feeling that we have been stymied," said *the official.*

Mr Ray MacSharry, EC agriculture commissioner, said in Brussels last night that the result of the Washington meeting would determine the fate of the Gatt round. "This has to be wrapped up within hours," he said.

He was due to speak to Mr Ed Madigan, US agriculture secretary, before the meeting, in the hope of relaunching efforts to secure a deal and staving off the US retaliation package.

Mr MacSharry warned that the EC would "have no alternative but to counter-retaliate" if Washington introduced its punitive tariffs. "The trade war will be on", he added. "It's easy to start one, but it will be very difficult to stop it."

He added: "I don't want one. Nobody should want one. Co-operation, consultation and negotiation *is what we should be doing.*" He said he and his colleagues were waiting there for the US to resume the negotiations.

According to senior European Commission officials, Mr MacSharry intended to clarify with Mr Madigan what is the EC's "bottom line".

News that the talks had broken down on Wednesday night between Mr Joe O'Mara, a senior US farm trade negotiator, and Mr Guy Legras, his EC counterpart, drew conflicting responses from EC capitals and Washington.

Even as Mr O'Mara was flying back to Washington, having walked out of talks in which the US claims the EC had backtracked on issues thought to have been settled just a week ago, EC officials contradicted reports that negotiations had broken down.

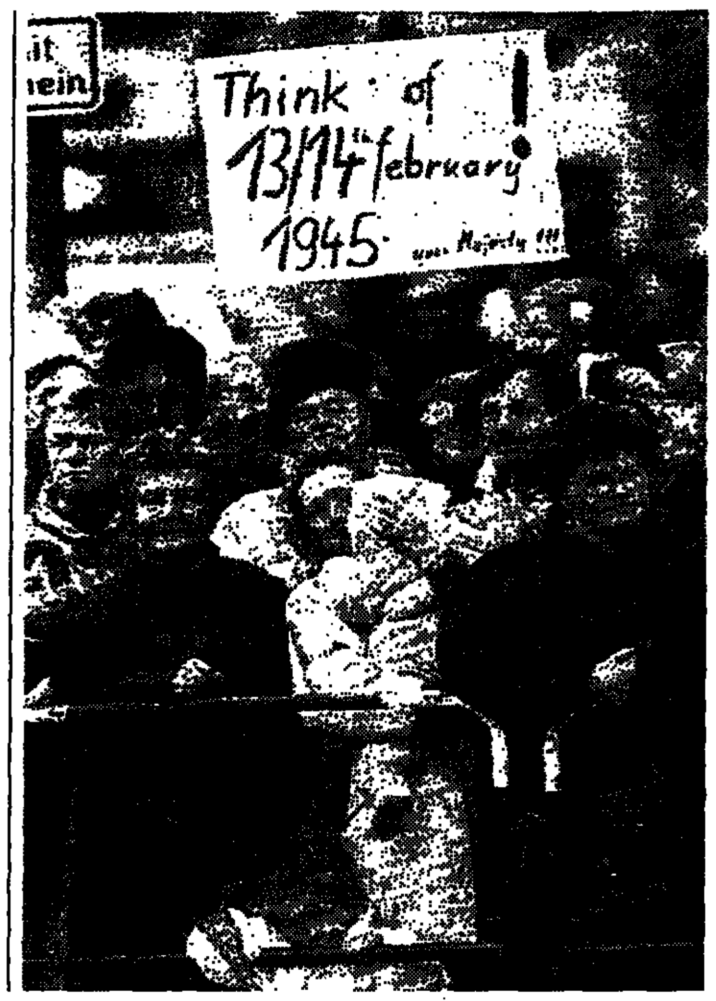
Leaders in other capitals were less sanguine. "In view of the very substantial progress *achieved in recent days,* the German government would consider it irresponsible if the negotiations broke down," *said* Mr Jürgen Möllemann, Germany's economics minister. "We expect the *EC Commission to do everything* to achieve a result in the negotiations."

Mr Möllemann said a failure of the talks would be economically dangerous for Germany and other countries.

Mr John Major, the British prime minister, *rejected a French* assertion that a conclusion to talks on Gatt might now be several months away. "I could not disagree more strongly with that view", he said.

In response to reports that Mr Roland Dumas, the French foreign minister, believes any serious transatlantic dialogue in the Gatt negotiations is "several months" away, whatever the result of next month's US presidential election, Mr Major said *that EC countries had agreed at* last week's Birmingham summit to complete the accord by the end of the year.

More reports, Page 8



Protesters boo Queen in Dresden

Scores of Germans booed and whistled at *Britain's Queen Elizabeth* yesterday when she arrived in the east German city of Dresden which was devastated in the second world war, mainly by British bombers.

Some protesters (above) carried placards referring to the fire bombing of the city by British and US air forces on February 13 and 14 1945.

Most people in a crowd of 3,000 were silent, some cheered and others jeered at the Queen as she came to the Kreuzkirche cathedral for a service of reconciliation between her country and Germany after the bombings of Dresden, and the city of Coventry in the West Midlands region of England.

The crowd which greeted the Queen in Leipzig later in the day was larger and more cheerful. The British monarch began a five-day visit to Germany on Monday.

Bank of England's BCCI role censured

By Robert Peston and Ralph Atkins in London

THE Bank of England's regulation of Bank of Credit and Commerce International, the corrupt banking group, was censured yesterday in a report commissioned jointly by the Bank and the UK government.

BCCI was closed down in July 1991 after the Bank received a report from BCCI's auditor, Price Waterhouse, listing frauds carried out by the bank involving many billions of pounds.

The Bank of England's reforms will remove primary responsibility for the investigation of fraud from the Bank's supervision department. *Instead, malpractice inquiries will be handled by a* new special investigations unit.

Under the reform, the heads of the investigations unit and a new legal unit will have direct access to the Bank's governor and deputy governor. They will attend meetings of the Bank's board of banking supervision, its supervision oversight body.

The investigations unit will be headed by Mr Ian Watt, a partner of accountants KPMG Peat Marwick. Mr Peter Peddie, formerly a partner in Freshfields, the solicitors, will head the legal unit.

Both men will rank as advisers to the governor, with seniority equivalent to the Bank's four executive directors. They will work with Mr Brian *Quinn, executive director for banking supervision,* and Mr Tony Coleby, executive director for wholesale market supervision.

***Staff* in the supervision department will pass on suspicions of fraud to the investigations unit, which will then handle any inquiry.**

The reform moves the Bank's approach to supervision closer to US regulators, which use a corps of professional examiners to supervise banks. The unit may employ a set of accountants and inspectors specialising in fraud.

The report, by Lord Justice Bingham, said the Bank failed to take appropriate action on receipt of a series of warnings over many years that fraud was taking place at BCCI. It was also critical of Price Waterhouse, BCCI's auditor, for failing to brief the Bank fully about the extent of the fraud it had uncovered at BCCI in early 1991.

Abu Dhabi, the Gulf state which had a majority shareholding in BCCI, also came under attack for failing to pass on to Price Waterhouse and the Bank of England information it received in the spring of 1990 on the scale of the BCCI fraud.

Further criticisms were that the Bank misunderstood its legal responsibility to monitor BCCI's *activities closely from as early as* 1979 and that subsequently it missed a series of valuable opportunities to take greater responsibility for supervising BCCI's operations.

The Bank and the Treasury do not believe Bank officials should resign in the wake of the report.

"The Bank made mistakes over so many years, it hardly seems fair to blame officials currently at the bank rather than those who have now retired", said one government official.

Mr Norman Lamont, chancellor of the exchequer, said yesterday the Bank "was slow to impose on BCCI and appropriate supervisory regime and ... that the Bank continued for too long to rely on the Luxembourg authorities to play the leading [regulatory] role".

He proposed, however, only modest reforms of the UK banking supervisory system, which Lord Bingham concludes has generally worked well in respect of preventing fraud and financial problems at other banks.

The Bank is creating a new special investigations unit which will be responsible for pursuing any indications of fraud or malpractice at banks.

Separately, a new legal unit at the Bank is being established which will give advice to the Bank on its legal responsibilities and rights under the Banking Act, following a series of misjudgment in the Bank's relationship with BCCI.

In addition, the UK Banking Act, which gives the Bank its *supervisory powers, is being* amended to give the Bank an *explicit* power to close down the UK operations of any international bank if the Bank feels the overseas operations of that bank are not being supervised properly.

A separate amendment will introduce a duty on any bank's auditors to pass information on suspected fraud at that bank to the Bank of England.

In the House of Commons, the Bingham report provoked fresh calls from the Labour opposition for Mr Robin Leigh-Pemberton to *resign as governor of the Bank of* England and for additional government help for BCCI victims.

Mr Gordon Brown, shadow chancellor, said ministers – including Mr John Major who was chancellor before becoming prime minister – should accept responsibility for the affair. The Treasury "knew full well that there was a problem", he claimed.

But Mr Lamont said Mr Brown's attack was "absolutely disgraceful" and cited Lord Bingham's conclusion that, "the conduct of Treasury officials and ministers is not in my view open to criticism in any respect".

But several Conservatives, *including Mr John Watts,* chairman of the Commons' Treasury select committee, signalled anxiety that proposals for tightening supervision should be carried through speedily. The Treasury

Continued on Page 22
Background, Pages 10-13
Editorial Comment, page 20

PepsiCo to finance Ukraine expansion with ship exports

By Guy de Jonquières in London

PEPSICO is to help to sell up to $1bn worth of Ukrainian-built ships on international markets. The deal is expected to lead to rapid expansion of the US company's soft drink and fast-food *restaurant operations in the former* Soviet republic.

The eight-year agreement is one of the *biggest* western business ventures involving the former Soviet Union and the largest for the export of manufactured products yet concluded with the Ukraine.

PepsiCo expects to invest almost $150m to treble its soft drinks production in the Ukraine, currently about 60m litres a year, and to open as many as 100 Pizza Hut restaurants there. The first restaurant will open next year.

PepsiCo plans to increase its franchised bottling plants in the Ukraine from 7 to 12 in the next two years and will set up local distribution, sales and marketing networks.

PepsiCo would not disclose its initial investment in the project but said its planned expansion in the Ukraine would be financed out of hard currency proceeds from ship exports. The Ukrainian treasury will share in profits from the exports.

A joint venture, Ukrainian Development Corporation, has been formed to market internationally all the commercial vessels built by the Zaliv shipyard at Kerch, on the Black Sea. Zaliv *aims to double its production* capacity to four merchant ships annually by the year 2000.

The vessels will be sold or leased by Fram Shipping, a privately owned Bermuda company which is a partner in the joint venture, along with PepsiCo, Zaliv and Ukrpivo, the Ukrainian state beverage organisation.

Three vessels are already under construction, the first of which will be completed next spring. The joint venture is committed to taking delivery of the shipyard's output for the next eight years.

PepsiCo said it was confident Fram could sell or lease all the vessels, noting that the shipping company had found international customers for Ukrainian-made ships worth $300m in the past two years.

The joint venture will participate in the modernisation of the Zaliv shipyard and will assist in converting part of it to new manufacturing ventures, including planned production of prefabricated Pizza Hut restaurant units.

Ships are one of the few products which the Ukraine can hope *to sell internationally.* The republic contains many of the former Soviet Union's shipyards, and most of the capacity is still dedicated to military vessels.

PepsiCo has relied heavily on barter deals to expand its operations in the former Soviet Union, where it began doing business in 1974. It has 20 bottling plants in the region and operates two Pepsi Hut restaurants in Moscow.

Earlier this year the company formed a joint venture with partners including Eastman Chemical Company to build a factory in the republic of Belarus to produce plastic Pepsi bottles.

Observer, Page 21

CONTENTS

LONG MARCH: Spanish steelworkers on a 250-mile pilgrimage from the north to Madrid in an effort to halt closure of their plants

Andreotti under fire over aide's Mafia role

THE former Italian prime minister, Mr Giulio Andreotti, came under fire yesterday after a magistrate's report named Salvatore Lima, his right-hand man in Sicily who was killed in March, as the Mafia's link to the political establishment, Reuter reports from Rome.

The report also disclosed that Tommaso Buscetta, the Mafia's most famous turncoat, has decided to talk to investigators about relations between gangsters and politicians – a topic he had earlier refused to discuss on the grounds it was too delicate. The report issued on Wednesday said the Mafia murdered Lima, a former mayor of Palermo, because he stopped protecting their interests after years of collusion.

Lima, 64, who had been a member of the European Parliament and the uncontested leader of the Sicilian wing of the Christian Democrats loyal to Mr Andreotti, was shot dead in his car less than a month before last April's national elections. Mr Andreotti, who served in all post-war Italian governments until last April, continued to defend Lima in radio and newspaper interviews after the report was issued. "I never found one element to judge him (as a Mafioso)...but I know how much he helped us in the fight against the Mafia in these past years," Mr Andreotti told Italian radio.

But Mr Andreotti came under sharp fire in the media and from some politicians for defending Lima for years when many suspected him of Mafia collusion. The newspaper La Repubblica ran a front-page cartoon showing Mr Andreotti removing his face to reveal an alligator with a head shaped like Sicily. Mr Antonino Caponnetto, the retired magistrate who founded Palermo's anti-Mafia investigation unit in the early 1980s, criticised Mr Andreotti for continuing to defend Lima "in tones which seemed like a prelude to a beatification". "Everybody knew except Giulio," L'Indipendente said in an editorial which called Lima "the Mafia's travelling salesman".

Mr Leoluca Orlando, a former mayor of Palermo and head of the maverick anti-Mafia party La Rete (The Network), criticised the Christian Democrats for sending Lima to the European parliament.

Palermo magistrates have issued 24 arrest warrants for Mafia members suspected of ordering and carrying out Lima's killing. At least five have been arrested.

Economy minister says new savings of at least DM10bn must be found next year

Outlook darkens for Germany's budget

By Quentin Peel in Bonn

THE slowdown in the west German economy, combined with soaring costs for the east, means new budget savings of at least DM10bn (£4bn) must be made next year, Mr Jürgen Möllemann, economics minister, warned yesterday.

After top level talks with leaders of all Germany's industrial organisations on the state of the national economy, Mr Möllemann said they all believed that west German growth had to be revived in order to maintain the flow of state aid and investment to the east.

The slowdown was likely to mean a shortfall in budget revenues of between DM5bn ($3.2bn) and DM7bn ($4.6bn), he said.

At the same time, a string of new spending needs identified in the east, including the cost of servicing of DM50bn in housing debts and extending investment subsidies to industry, would push the budget deficit into "billions in double figures".

The German government is adamant that there can be no tax increase for 1993 (on top of a 1 percentage point rise in value added tax, already approved), and has also rejected calls for a levy or compulsory loan from the better-paid.

Any extra spending in the east must be financed from savings in the west.

Mr Möllemann said his talks with industry were aimed at complementing negotiations for a "solidarity pact" between industry, trade unions, central government and the 16 federal states, to finance recovery in the east German economy.

He said that all sides agreed that revival of west German growth was a precondition for maintaining the current transfers to the east by both public and private sectors.

Net transfers are running at around DM150bn a year.

In a report to the cabinet on Wednesday, Mr Möllemann estimated growth in the east German economy this year at between 2 and 5 per cent, compared with original government forecasts of 10 per cent or more. He put west German growth at between 1.5 and 2 per cent.

He called for further radical savings measures from public spending, without specifying where the cuts would fall.

One proposal before the government, to increase investment subsidies for small and medium-size businesses in the east from 8 to 25 per cent, would cost far too much, the industry lobbyists warned.

Mr Hans Peter Stihl, of the German chambers of trade and industry, said that investment promotion had to be differentiated between regions and economic sectors.

One proposal is to end subsidies for investments in the relatively flourishing retail trade and services sectors, and concentrate simply on reviving east German manufacturing industry.

UK still out to lure Euro-bank

David Marsh and Peter Bruce on London's undimmed ambition

THE British government is maintaining its battle to bring the mooted European central bank to London, in spite of sterling's exit last month from the European exchange rate mechanism.

A plan to establish the European Monetary Institute (EMI) as the forerunner to a European central bank will be high on the agenda today when EC treasury and central bank officials meet in Berlin.

However, it was not clear last night whether the officials, gathering for an informal session of the European monetary committee, will discuss the site of the EMI. Under the Maastricht treaty, European governments intended to decide the venue of the EMI by the end of this year, ready for it to come into operation in 1994 in the second stage of economic and monetary union (Emu).

This timetable has since been thrown into doubt by the uncertainties over the fate of the treaty.

A spokesman for the British Treasury said last night that the UK was sticking to its view that London would be the best possible site for the operation of the EMI and, later, for the central bank itself. "This remains our view...We shall put it forward in all the appropriate fora," the spokesman said.

Britain will continue to play a part in discussions on Emu, despite its forced departure from the ERM on September 16. But maintenance of the Treasury's line backing London as the site for the EMI may attract growing opposition, and possibly ridicule, from other EC countries.

Spain is expected to use today's meeting to make an active call for the EMI to go into operation on time. It also wants the mooted institute to play a stronger role in co-ordinating intervention in support of weaker currencies in the ERM – a key part of overall Spanish arguments for reforms of the exchange mechanism.

Mr Carlos Solchaga, the Spanish finance minister, proposed earlier this month that ERM central banks pool their foreign exchange reserves to marshal greater ammunition against currency speculators.

Other countries such as France have proposed in the past that the EMI manage these reserves. This idea is, however, opposed by Germany and the Netherlands, which want reserves to remain fundamentally under national control.

Spain also wants agreement on intramarginal intervention - a pact between ERM members that forces central banks to begin intervening before currencies reach their ceilings or floors.

Danes close ranks over Maastricht

By Hilary Barnes in Copenhagen

THE DANISH government indicated yesterday that it would support potentially far-reaching opposition proposals to secure special terms for Denmark's future relationship with the EC. The proposals seek to modify the Maastricht treaty on political and economic union to make it palatable to Danes, who rejected it in a referendum last June.

Speaking before formal publication of the plans yesterday evening, Mr Poul Schlüter, prime minister, suggested the government would support their main thrust. "We shall not have a majority against us," he said. "We shall have a majority behind us."

Some aspects could prove too controversial for the government to accept without amendment. Nonetheless, the proposals are almost certain to cause considerable problems when Denmark starts negotiating a solution with its EC partners later this year.

The three main opposition parties want Denmark exempted from participation in a common European defence and from the third stage of economic and monetary union. They also want to avoid any obligation to co-operate on immigration and internal security on a supra-national basis.

France, in particular, strongly opposes a Danish "opt-out" on Emu similar to that negotiated by Britain last year, as this would be tantamount to a renegotiation of the treaty. If the Danes win the special terms, the treaty would be submitted to a second referendum next year.

● Portugal's parliament will not ratify the Maastricht treaty before mid-December, a parliamentary spokesman said yesterday, Reuter reports from Lisbon.

Parliamentary leaders on Wednesday agreed on an agenda for a debate on constitutional amendments which must be adopted before the treaty can be ratified.

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Serbian rivals face the final showdown

Milosevic is capable of pushing the Serbs into civil war if he fails to get his way, writes Laura Silber

THE final showdown between the Serbian president, Mr Slobodan Milosevic, and the Yugoslav authorities is approaching following the seizure this week by Serb police of the federal interior ministry in Belgrade.

That action proved that Mr Milosevic, although increasingly isolated, will stop at nothing to remain in power. It also indicated that he was ready to use force in his power struggle against Mr Dobrica Cosic, the Yugoslav president, and Mr Milan Panic, the federal prime minister.

The latter are attempting to strengthen the constitutional powers of the rump Yugoslavia at the expense of eroding Serbia's powers. Mr Milosevic may use the attempt, however, to try to destroy the federation, rather than relinquish power

Mr Milosevic is backed by a 50,000-strong police force and thousands of paramilitary fighters, veterans of the war in Croatia and Bosnia, while the top echelons of the army support Mr Cosic. The loyalty of the lower and mid-ranking officers is not known.

Mr Milosevic's main pillars of political support include the Socialist (former communist) party, and its ultra-nationalist satellite parties; Serbian state television; and many managers of state enterprises who are political appointees and who see their fate depending on the survival of Mr Milosevic.

Serb leader Slobodan Milosevic, Federal President Dobrica Cosic, and Prime Minister Milan Panic

Opposition leaders, intellectuals, and the Serbian Orthodox Church have already called on Mr Milosevic to resign. They have thrown their support behind Mr Cosic, a well-known writer who is seen as the spiritual father of all Serbs. Montenegro, the other republic in the new Yugoslavia, has also swung behind the federal government.

With these battle lines clearly drawn, and a showdown increasingly likely, as Mr Panic warned yesterday, the Serbian leadership is increasingly clashing with the Yugoslav government at every step. For instance, whenever any progress is made at the peace talks in Geneva, Mr Milosevic, through his nationalist allies, repeatedly tries to derail the process by challenging the authority of President Cosic and Mr Panic.

Following the Geneva agreement for the Yugoslav army to withdraw from Prevlaka, Croatia's southern Adriatic peninsula, Mr Milosevic sharply criticised President Cosic.

Mr Milosevic has also tried to undermine Mr Panic's moves towards a reconciliation with ethnic Albanian leaders of Kosovo, who, if provoked by Serbia, could rebel in Serbia's southern province.

Kosovo's Serbs, who make up 8 per cent of the 2.1m population, are backed by a powerful police apparatus, and still revere the Serbian president for ruthlessly bringing the province under the direct control of Belgrade in 1990.

But Mr Cosic, a grandmaster of Balkan politics, understands Mr Milosevic's Machiavellian manoeuvres, and is prepared to abandon Serbia's policy of war in order to rejoin the international community. In an address to the federal parliament last week, Mr Cosic warned of the dangers of civil war in Serbia, and called for the immediate disarming of political parties and paramilitary groups, which are armed by Mr Milosevic and his allies.

However, the key disadvantage of the federal government is that it does not exert enough control to disband the fighters. The seizure of the interior ministry by Serb police was Mr Milosevic's way of showing he is still boss of Serbia.

Yet despite Serbian television's smear campaign against Mr Panic, and to a lesser extent Mr Cosic, the two men appear to have gained popular support in contrast to Mr Milosevic, whose popularity has slumped following a year of war – and the imposition of United Nations sanctions which are precipitating economic collapse.

The average annual wage has plummeted from \$3,000 (£1,840) per capita to \$1,000; Belgrade economists estimate that sanctions will reduce industrial output by a further 50 per cent over the next few months; 300,000 workers have been laid off; and hundreds of thousands of workers are expected to be sacked by the end of the year, increasing the possibility of social unrest.

The most obvious obstacle to stability in Serbia and the former Yugoslavia remains Mr Milosevic. Pushed into a corner, he is at his most dangerous, believing he has nothing to lose by dragging Serbia into a civil war. Indeed, he is prepared to break up the reconstituted Yugoslavia, following the same pattern used with Croatia and Bosnia. Then, Mr Milosevic showed that if he could not dominate the federation, he was willing to destroy it.

All expectations that Mr Milosevic would resign under foreign and domestic pressure so far have proven false. He remains the most powerful politician in the Balkans. The chance for peace in the region hinges on the outcome of the power struggle in Belgrade.

Political battle in Moscow becomes heated

By John Lloyd in Moscow

THE roaring political row in Russia continued yesterday, as Mr Andrei Kozyrev, the foreign minister, warned of efforts to "introduce nationalism and chauvinism" into Russian foreign policy and General Alexander Rutskoi, the vice-president, demanded the immediate sacking of six cabinet ministers and said that the privatisation plan was designed to "rob the country".

The level of polemics has become increasingly bitter, as the pro- and anti-government camps increasingly cast aside restraint. The government side is very much on the defensive, warning of efforts to destabilise the cabinet and the presidency – while the opposition, having refused the request from Mr Boris Yeltsin, the Russian president, to postpone an inevitably hostile Congress of People's Deputies from December to spring, is now hotly demanding cabinet resignations

Mr Kozyrev, one of three ministers under fire from parliament for briefing foreign journalists on the likelihood of a move against Mr Yeltsin, repeated his charges yesterday in and out of parliament.

Earlier, he had said that his warnings of a growing threat from hardline forces were meant to alert Mr Yeltsin to the threat to his position. "It is not so much a matter of attacks on the government, but of efforts to unseat the president himself – the only legitimate representative of the Russian people".

Gen Rutskoi was reported by a Moscow newspaper as saying that the question of the cabinet should be considered on the first day of the congress.

Meanwhile, a statement from the doctor of Mr Ruslan Khasbulatov, the parliamentary speaker, said that he was suffering from "extreme exhaustion" caused by intensive work, sleep restricted to five hours a day and heavy smoking. On Wednesday, a group of democratic deputies said that they believed Mr Khasbulatov had been under the influence of drink or drugs, following a meeting with him after he had been led from the parliament.

UN resumes the Sarajevo airlift despite fighting

By Judy Dempsey in London and Laura Silber in Belgrade

UNITED Nations relief flights to the besieged Bosnian capital of Sarajevo started again yesterday in a desperate effort to build up stockpiles before the winter sets in.

"We have no choice but to resume the flights. We are trying to minimise the risks to the pilots. The land routes from Split across Bosnia have been closed," said Mr Ron Redmond, a spokesman for the UN High Commissioner for Refugees in Geneva.

All flights were suspended on Wednesday after fighting escalated throughout Bosnia. The suspension fuelled fears that the city's 390,000 inhabitants risked death, not only from constant bombardment from the surrounding hills which are held by Serb forces, but from the bitter cold and starvation. Mr Redmond said temperatures were likely to slip several degrees below zero by this weekend.

Fighting in western Bosnia between Croat and Moslem forces disrupted all overland aid convoys earlier this week. Instead, the UNHCR will try to enter Bosnia from Belgrade, the Serbian capital, at the weekend. The UNHCR plans to fly in 18 flights a day to Sarajevo, but the onset of winter, coupled with heavy fog which settles on the city for several days at a time, could slow the operation.

"The people need not only food and medicine but covering for their windows," said Mr Redmond. He added that 150,000 apartments needed plastic sheeting.

In neighbouring Croatia, European Community monitors yesterday confirmed that Croatian army units had launched an offensive around the Prevlaka peninsula on the Adriatic.

The clashes followed the withdrawal of Yugoslav federal troops from the peninsula under an agreement signed in Geneva by the presidents of Croatia and the rump Yugoslavia.

The EC monitors, who were confined to their hotel by Croat forces during the offensive, said Croatian artillery units fired on Bosnian Serb positions holding Croatian territory.

The EC team lodged a strong protest with the Croatian government because Croat special army units were using white vehicles similar to those used by the EC, thus endangering the lives of the monitors.

Greece may soften its line on Macedonia

THE resignation from parliament of Mr Antonis Samaras, a former foreign minister, has boosted the beleaguered Greek government's chances of defeating its populist critics on the question of recognition for the ex-Yugoslav republic of Macedonia, writes Kerin Hope in Athens.

Mr Samaras, whose hardline views on Macedonia are rejected by the prime minister, Mr Constantine Mitsotakis, stood down on Wednesday night after a stormy meeting of the ruling New Democracy's parliamentary group.

The government's one-seat majority in the 300-member Parliament remains safe, as another ND politician will fill the empty seat. There are no provisions in Greece for holding by-elections.

Mr Samaras was sacked as foreign minister last April for advocating that Greece should close the border with Macedonia unless the Skopje government agreed to change the country's name.

Greece wants Macedonia to choose another name for international use, to avoid implying a territorial claim on the Greek province of the same name.

With Mr Samaras out of the way, the prime minister can try to win popular support for his compromise on a double name for Macedonia.

However, the government would again be in serious danger if the European Community reverses its decision last June not to recognise Macedonia under its present name.

UK warns Gibraltar on EC's regulations

THE UK Government has told Gibraltar that it must implement the European Community's single market regulations even if they appear to undermine its aspirations of becoming an international offshore financial services centre, write Tom Burns in Madrid and Robert Mauthner in London.

Britain argues that, since Gibraltar is still a crown colony, albeit with certain self-governing powers, it is the UK which is responsible for the implementation of EC decisions. London has stressed that it is the UK government which would be arraigned before the European Court if Gibraltar failed to apply EC rules.

The Gibraltarians, however, do not see the problem in quite the same light and, in tough discussions with British officials, have made clear their deep reservations about applying some EC rules.

In addition to the longstanding fears among Gibraltar's 30,000 population over Spain's claim to the colony, there is now concern over a possible constitutional crisis should London and the EC try to enforce their views. Mr Joe Bossano, Gibraltar's chief minister, warned this week that, if the colony's economic progress was hampered by major differences with London, the situation could become "critical."

Mr Bossano said that although no decision had yet been taken by London, the issue has been brought to a head by Gibraltar's ambivalent status as a dependency of an EC state.

Stasi probe puts SPD state leader on spot

By Leslie Colitt in Leipzig

Mr Manfred Stolpe, the Social Democratic (SPD) prime minister of Brandenburg state and east Germany's best-known politician, was strongly condemned at the opening of hearings yesterday on his contacts with the former Stasi security police.

Mr Rainer Eppelmann, a former east Berlin pastor and prominent anti-communist dissident, told a parliamentary investigating committee in Potsdam that Mr Stolpe had been "objectively compromised" by his links with the Stasi. "Mr Stolpe's confidence in the Stasi was greater than in the Church," Mr Eppelmann charged. He called on the Brandenburg leader to present long-awaited evidence which would exonerate him instead of acting like an "informer who is on the defensive".

Mr Stolpe has admitted having contacts with the Stasi while serving as a senior Protestant Church lay official. But he says the regular meetings with Stasi officers were part of the Church's efforts to help east Germans persecuted by the communist authorities.

Last week the Green party, a partner in Mr Stolpe's coalition government in Potsdam, threatened to break up the coalition if he did not resign. However, it then backed down.

Mr Eppelmann accused Mr Stolpe of breaking his Church vow to remain silent and of disclosing intimate details to the Stasi about the former pastor's private life. Mr Eppelmann, a Christian Democratic member of the German parliament and head of the government commission on the history of East Germany, said he had learned this on reading his own Stasi file.

Mr Stolpe will be questioned today over the circumstances in which he was awarded East Germany's Order of Merit in 1978. Mr Klaus Rossberg, a former Stasi officer who is also to testify today, said he personally handed Mr Stolpe the medal in a clandestine Stasi residence.

Danube row hits plan to widen EC

By Lionel Barber in Brussels

SLOVAKIA'S plan to block and divert the Danube river into the Gabcikovo power plant is causing strains within the joint campaign by Hungary, Poland and the Czech and Slovak republics to join the European Community.

Although all sides are trying to play down the impact of the Hungarian-Slovak row, Mr Gyorgy Granastzoi, Hungary's ambassador to the EC, warned yesterday that any move to divert the Danube would be a "violation" of Hungary's borders.

Mr Granastzoi was speaking at a joint news conference by the three east European countries which made public an 11-page memorandum to the EC aimed at strengthening the integration of the former communist countries into the Community.

The EC has described as "catastrophic" the dispute between Slovakia and Hungary. Tripartite talks under the auspices of the EC took place in Brussels yesterday in an effort to defuse the row and allow technical experts to consider the effects of the planned dam project on the environment.

The EC has agreed to mediate on condition that the talks are technical rather than political; and that Slovakia does not carry out any work on the project which is irreversible.

The prime ministers of the three east European countries are due to meet Mr John Major, UK prime minister, and Mr Jacques Delors, European Commission president, in London next week to press their case for starting negotiations on EC accession no later than in 1996.

So far the EC has reacted coolly because the huge economic disparities. A full response to the joint memorandum is not expected until the EC summit in Edinburgh in December.

Finnish group reaches Japanese phone accord

By Christopher Brown-Humes in Stockholm

NOKIA, the Finnish electronics group, is taking a further step into Japan's multibillion dollar cellular phone market after reaching a co-operation agreement with Kansai Digital Phone (KDP).

Under the accord, the two companies will design a digital handheld phone for introduction onto the Japanese market in 1994 when KDP opens a 1.5 GHz cellular network in the Osaka, Kyoto and Kobe areas.

KDP is one of the leading players in the mobile phone sector and is expected to capture as much as 20 per cent of the domestic market in 1995.

The agreement represents a further important breakthrough for Nokia, as Japan, with 1.5m users, accounts for around 10 per cent of the worldwide mobile phone market.

The group already has a collaboration accord in place with Nippon Idou Tsushin Corp and is one of only two foreign suppliers, alongside Motorola, to have established a foothold in the Japanese market. The Japanese market is expected to expand rapidly when the digital networks are introduced in late 1993 or early 1994.

Polish car industry investment delayed

By Christopher Bobinski in Warsaw

FOREIGN investment in Poland's motor car industry is being delayed by a lack of agreement between Warsaw and the European Community on the distribution of 30,000-vehicle tariff-free annual import quota worth Ecu100m into the country.

Yesterday, Mr Louis Hughes, the head of GM Europe met with Ms Hanna Suchocka, Poland's prime minister and confirmed his company's continuing interest in assembling Opel Astra cars at Warsaw's FSO factory.

But GM, who agreed a letter of intent with the Poles last February, are waiting to see what share of the quota they will get before going ahead with the agreement.

GM also wants to ensure that car imports will continue to be regulated to minimalise competition from other car makers.

Volkswagen who are planning to assemble delivery vans at the FSR factory near Poznan are also waiting for the outcome of the car quota talks with the EC.

Only Fiat have disregarded the quota issue and gone ahead with their $2bn takeover of the FSM small car factory in southern Poland.

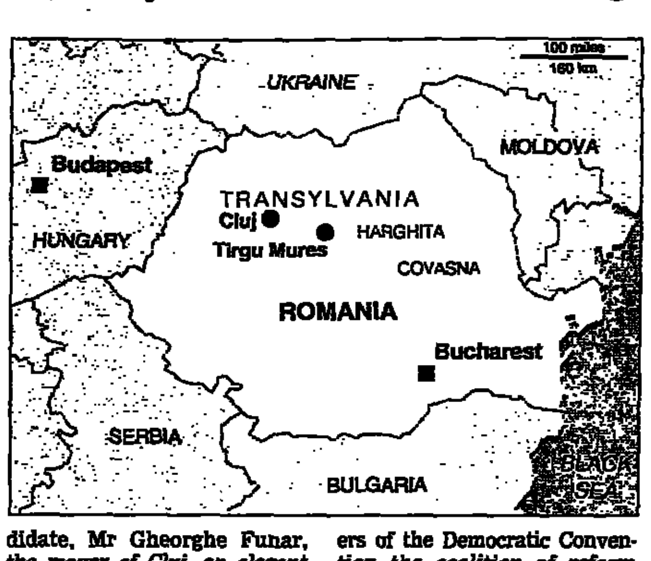
Ideally the Poles would like to distribute the quota equally between those companies investing in the country but this is being resisted by other car makers in Germany and Holland who are eager to secure access on equal terms.

Imports of new and used cars into Poland fell this year with the introduction of a 35 per cent import tariff.

Ion Iliescu: election victory has not cleared the storm clouds gathering over Romania

Dangers of Iliescu's victory

Virginia Marsh on why ethnic divisions are growing



PRESIDENT Ion Iliescu secured a sizeable majority in this month's Romanian election, but doubts remain whether he will be able to unite the country and transform it into a modern European state.

He was re-elected with 61 per cent of the vote in the October 11 presidential run-off, more than 20 points clear of his opponent, Mr Emil Constantinescu after his party, the Democratic National Salvation Front, (DNSF) came out top of the parliamentary poll two weeks earlier.

But the 62-year-old former Communist received a striking vote of no confidence from the country's 1.7m ethnic Hungarian minority. In Covasna and Harghita, two Transylvanian countries where ethnic Hungarians form the majority, Mr Iliescu and the DNSF received less than 15 per cent of the vote.

Mr Iliescu and his party, won comparatively little support throughout Transylvania, Romania's ethnically mixed western province which was part of Hungary until 1918.

In Transylvania, an unprecedented 42 per cent of the electorate voted along ethnic lines for either Romanian or ethnic Hungarian nationalist parties. In particular, the polls revealed a surge in support for Romanian nationalist parties who trebled their share of the country-wide vote to nearly 12 per cent since February's local elections.

Romanian nationalists were boosted by the strong campaign of their presidential candidate, Mr Gheorghe Funar, the mayor of Cluj, an elegant Hasburg town, once capital of Hungarian-ruled Transylvania.

Even before the elections, Mr Funar who characterises Hungarians as "barbaric, migratory people" had achieved national notoriety for his anti-Hungarian stand. Since becoming mayor in February, Mr Funar has attempted to ban public signs in Hungarian and to close down Hungarian schools with little censure from central government even though ethnic Hungarians make up a quarter of the city's population.

Ethnic Hungarians and Transylvania's gipsy and fast diminishing German minorities say Mr Funar's behaviour shows that, despite the overthrow of the tyrannical Ceansescu regime in 1989, they still do not have sufficient rights.

Together with other supporters of the Democratic Convention the coalition of reform minded opposition parties which lost out narrowly to the DNSF in the parliamentary polls, they believe the election results will lead to increased tension in the region, especially among ethnic minorities.

In March 1990 rioting between ethnic Romanians and ethnic Hungarians in Tirgu Mures, a town east of Cluj, claimed three lives.

One immediate concern is that Mr Funar or other leading members of his party, be given cabinet posts in return for their support of a DNSF-led minority government.

But Transylvanians, most of whom voted for the DC or other parties favouring a fast transition to a market economy, also fear a DNSF government will slow down reform, alienate foreign investors and prolong the country's severe recession raising fears of more ethnic violence.

Many Transylvanians with their strong European traditions, fear Mr Iliescu's re-election will mean continued isolation from the west.

"Europe is dividing once again. Countries like Hungary have shown they can break with the communist past. These elections mean Romania will be left behind once more: Iliescu pushes us back towards the CIS," one young doctor, an ethnic Romanian, said.

Like many other young people, she believes the only solution for Transylvania's ethnic tensions is a better dialogue with Hungary and stronger links with the west.

As for rapprochement with Budapest which has repeatedly aired its concern over Romania's treatment of its ethnic Hungarian minority, Mr Iliescu's second term has not got off to a good start.

In the past few weeks Romania has blamed the virulence of the Hungarian lobby in Washington for Congress's decision not to grant the country most favoured nation status.

By externalising Romania's problems, Mr Iliescu and nationalist groups may achieve popularity in a country struggling with the bitter legacy of the Ceaucescu regime and a a severely under-performing economy.

But such statements are also likely to fuel nationalists in Hungary and further radicalise ethnic Hungarians in Transylvania, deepening rifts within Romanian society and destabilising a region already threatened by the Yugoslav crisis.

Witnesses afraid to speak out about mass grave

A ROMANIAN prosecutor appealed yesterday for witnesses to come forward with information on a mass grave containing scores of bodies being excavated in woodland near Bucharest, Reuter reports from Bucharest.

"We have difficulties in our investigations. People are afraid to talk to the prosecutor...We are willing to receive any helpful information," Mr Adrian Vartires, the prosecutor of Bucharest said.

Mr Vartires was referring to a grave dating from the communist era at Caciulati-Snagov, about 40 km north of the Romanian capital, where scores of bodies, possibly victims of the communist secret police, have been discovered. In the period from 1949 to 1951 some buildings in the area were used as a base of the dreaded Securitate secret police.

Romania suffered one of eastern Europe's harshest communist dictatorships from 1947 to December 1989 when Stalinist ruler Mr Nicolae Ceausescu was deposed and shot in a bloody uprising.

Only Mr Ceausescu and a few cohorts were tried and sentenced for abuses. No thorough official probe has been conducted by post-1989 governments into communist atrocities, and many former senior communists remain in positions of power.

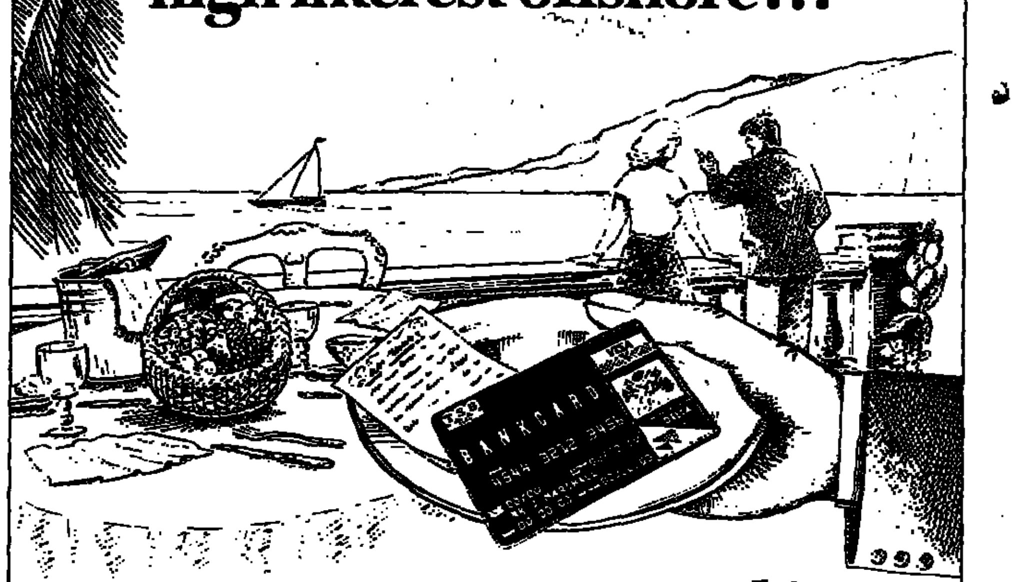
Dr Viorel Panaitescu, manager of the Bucharest Forensic Institute, said a first group of 28 skeletons which had been examined showed they were men and women aged 13 to 65 when they died, 30 to 40 years ago, between 1950 and 1960.

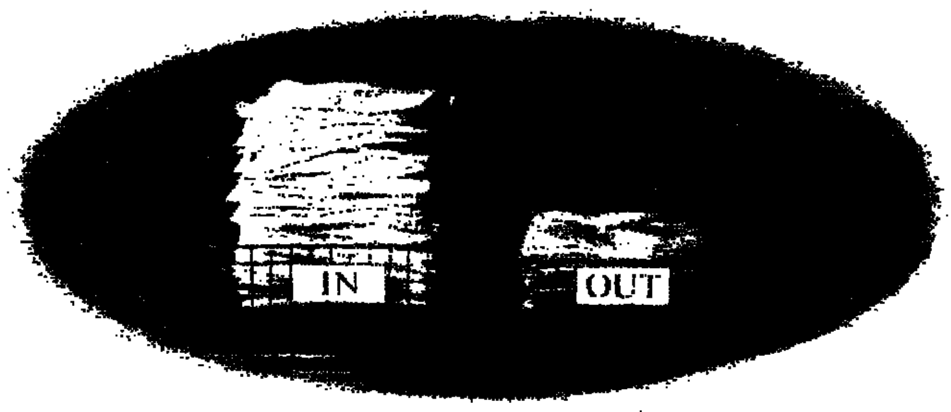
This would have been during the 16-year rule of Romania's first communist leader Mr Gheorghe Gheorghiu Dej, Ceausescu's predecessor, who used brutal methods to crush all opposition.

All the bodies were buried only 40-50 cm below the surface with no trace of coffin wood, cloth or clothes, and four of them showed evidence of having been shot at very close range with a 7.63 mm calibre gun, he said.

"It is strange the skeletons are in such an advanced state of decay. The moment you take them in your hand, they fall apart. It is possible that after death some caustic substance was poured over the corpses," Mr Panaitescu said.

"The area being in a wood, it is hard to believe that wild animals did not smell the bodies and try to dig them out," he said.





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Japanese likely to revive cold fusion debate

By Clive Cookson in London and Steven Butler in Tokyo

THE DEBATE over "cold fusion", once hailed as a source of limitless energy and then dismissed as a deception by many scientists, is likely to revive following an announcement yesterday that Japanese researchers have got reproducible evidence for the phenomenon.

The scientists from Nippon Telegraph and Telephone will present their full results tomorrow at the third international cold fusion conference in Nagoya. Other research groups from the US and Japan are also reporting evidence for cold fusion – heat production or nuclear fusion products or both – but the NTT work will be particularly influential as it comes from one of the world's leading industrial laboratories.

Mr Eiichi Yamaguchi, senior NTT scientist, said it was too early to draw firm conclusions about cold fusion as a practical source of energy. But he said: "Now I believe we can use this in real energy generation, sometime."

Cold fusion releases energy by joining together light atoms such as deuterium at relatively low temperatures, in contrast to hot fusion research which attempts to harness the process in large and expensive reactors operating at millions of degrees centigrade.

The NTT experiments appear to answer a serious criticism of the original cold fusion discovery, announced by Professors Martin Fleischmann and Stanley Pons in 1989 – that positive results could not be distinguished clearly from background effects and could not be repeated in a predictable way.

Unlike the Fleischmann-Pons fusion cell, which had a palladium electrode immersed in heavy water, the NTT experiments were conducted in a vacuum, thus eliminating most background effects.

Mr Yamaguchi used a plate of palladium, which was saturated with deuterium gas, placed in a vacuum and heated to 100 deg C. After several hours the temperature rose to 200 deg C and helium-4, which was not previously present, appeared in the vacuum chamber.

The helium-4 could only have been produced by the fusion of deuterium atoms, the researchers said. They believe the reaction occurs as the deuterium atoms collect beneath the surface of the plate before they are drawn out into the vacuum.

But there are still many questions to be answered. The heat released (one kilojoule) was 100,000 times less than expected – and less than the heat output claimed by other cold fusion experimenters, including Profs Fleischmann and Pons, who are now working in a private laboratory in France with Japanese funding.

According to Prof Fleischmann, several hundred researchers around the world are working on cold fusion. Unlike many others, Mr Yamaguchi has been able to repeat the procedure five times with identical results.

If laboratories elsewhere can repeat his experiment, some of the doubts about cold fusion may start to disappear. A lot more evidence will be needed to convince mainstream scientists that cold fusion not only exists but is a practical energy source for the future.

Threat of split in Japanese faction

By Robert Thomson in Tokyo

THE largest faction of Japan's ruling Liberal Democratic party (LDP) was in danger of splitting last night as a former chief cabinet secretary, Mr Keizo Obuchi, was formally chosen as its chairman in spite of continuing opposition to his appointment.

Mr Obuchi, 55, is supposed to replace the fallen LDP "godfather", Mr Shin Kanemaru, who resigned last week. But he will have far less control over the faction than his predecessor and could be quickly replaced in an attempt to keep the 109-member faction together.

The selection followed a plea yesterday from Mr Kiichi Miyazawa, the prime minister, for the faction members to reach a conclusion quickly, as the continuing negotiations had been mocked by the Japanese media and inspired protests in front of the party's offices.

Mr Miyazawa was particularly concerned that Mr Tsutomu Hata, the finance minister, has spent the last week in hotel rooms arguing over the choice of his faction's leader, instead of focusing on the weakening Japanese economy or the troubled banking system.

The finance minister is at the centre of the dispute, as he and Mr Ichiro Ozawa, two of the faction's most influential officials, opposed Mr Obuchi and boycotted the announcement of his appointment late last night.

Mr Ozawa, a former LDP secretary general, was chosen by Mr Kanemaru as his successor and has wide support from younger members of the faction, who were not directly involved in the appointment of the new chairman.

He argued that the five of eight senior officers who chose Mr Obuchi were merely following orders from Mr Noboru Takeshita, the former prime minister, who claims credit for founding the faction and is attempting to reassert his authority.

Mr Kanemaru resigned after a month of controversy over his having received a Y500m (£2.5m) donation from a scandal-tainted parcel delivery company, Tokyo Sagawa Kyubin, in violation of the Political Funds Control Law. His resignation was prompted by the public outcry over his lenient treatment by prosecutors, who fined him only Y200,000 and did not directly question him.

The lingering dispute over the succession has encouraged further public debate over the role of the LDP's factions, which are small parties in themselves with their own office buildings and staff.

Reporters sit on the floor of a hotel lobby at a press conference by Ichiro Ozawa who is disputing the succession of Keizo Obuchi

De Klerk move on amnesty draws fire

By Philip Gawith in Johannesburg

SOUTH AFRICAN President F W de Klerk has been roundly condemned for his decision to force through legislation letting the state pardon officials who committed apartheid crimes.

The African National Congress (ANC) yesterday described the step as unacceptable and repeated its warning that it would nullify any amnesty legislation introduced by the existing government.

The Further Indemnity Bill, described by one parliamentarian as a "charter for crooks, criminals and assassins", was also severely criticised by Mr Colin Eglin, chairman of the Liberal Democratic party. "This is really minority domination when they should be demonstrating a sensitivity for power-sharing. They are forcing this through despite overwhelming opposition," said Mr Eglin.

Following the defeat of the bill in parliament on Wednesday, Mr de Klerk decided to refer the legislation to the President's Council, the appointed body widely considered to be a means of rubber-stamping legislation that has failed to gain parliament's assent.

Cairo struggles to deal with Islamic zealots

Tony Walker reports from Cairo

IF ANY doubts lingered about a resurgent Islamic movement in Egypt, they will have been dispelled by a string of incidents in recent months, culminating the killing of a British tourist on Wednesday.

The slaying of 28-year-old Ms Sharon Hill by gunmen, who ambushed her tour bus near the extremist stronghold of Assiut, south of Cairo, could hardly have delivered a more unpleasant message to a government that seems bereft of new ideas as to how to deal with the fundamentalist challenge.

For a hard-pressed country whose fortunes are heavily dependent on tourism revenues – now easily Egypt's main foreign exchange earner, apart from workers' remittances – it was a disturbing development which the authorities cannot ignore.

The death of Sharon Hill may come to be regarded as a critical moment in the continuing war between the security forces and Islamic extremists. If nothing else, it underscored the enormous difficulties faced by the authorities in combating zealots, now well established in the dusty, decaying towns and villages of the Egyptian hinterland.

The episode is almost certain to add to persistent domestic criticism, some of it voiced from within the ruling National Democratic Party, of methods used to cope with the many faces of the Islamic tendency.

Official tactics have been to seek to co-opt the Islamicists by allowing the ostensibly moderate mainstream Moslem Brotherhood limited access to institutions such as parliament, while cracking down hard on militants who espouse a more confrontational Islam.

But an increasing problem for the authorities is how to distinguish between the mainstream and those zealots committed to the violent overthrow of the established order.

While formal relationships may not exist, the two streams share a common interest in getting rid of the status quo.

As President Hosni Mubarak and his advisers review options available to them in light of the latest rash of incidents – a Nile ferry was fired on earlier this month, among other instances of Islamic-inspired violence – the temptation will be to crack down even harder on individuals suspected of association with the al-gama'a al-Islamiyah or Islamic groups, but this is likely to prove counter-productive.

The government risks further alienating individuals who already feel confined to the margins of society without jobs or the reasonable hope of a better life.

Throughout Egypt, disaffected youth is inevitably drawn to the deceptively simple proposition that "Islam is the solution" to all their problems.

Many Egyptian liberals, who feel increasingly beleaguered in the face of the Islamic tide, are openly critical of what they regard as the government's failure to deal effectively with the threat of extremism.

These critics advocate more openness, rather than more repression, and a greater commitment to democracy to allow countervailing secular forces to flower.

They fault the government for seeking to co-opt the fundamentalists by facilitating increased religious influence in the education system and in the media. These tools are now being used, critics say, to undermine Egypt's broadly secular institutions. The government, in effect, is helping to sow the seeds of its own downfall.

Economic reform efforts are lagging and political liberalisation seems stymied by entrenched political interests.

Inertia is not likely to solve Egypt's internal problems – or make life any safer for visitors.

UN plan to allow oil sales as way out of arms impasse

West cautious on Iraqi deal

By Robert Mauthner, Diplomatic Editor

WESTERN countries are still adopting a cautious attitude towards United Nations suggestions that Iraq should be allowed to sell oil as part of a deal to break the impasse over Baghdad's refusal to destroy its weapons of mass destruction.

This was stated yesterday by Mr Rolf Ekeus, the head of the UN special commission on Iraq, after talks in London with senior British officials. In the talks he explored the possibility of adding "a carrot", the sale of oil, to "the stick" of the programme to eliminate Iraq's advanced weapons.

Mr Ekeus said the UN oil embargo, introduced in August 1990, was costing Iraq an estimated $30m (£18.6m) a day.

Stressing that Baghdad continued to obstruct UN weapons inspectors, he said: "We have to ask whether those weapons are so valuable that they (the Iraqis) are prepared to lose the oil income? If they are so valuable, then we have reason for great concern."

Mr Ekeus emphasised that the oil embargo and the programme to destroy Iraq's nuclear, chemical and biological weapons were already linked in existing Gulf war ceasefire resolutions.

Oil prices registered a sharp drop after Mr Ekeus's remarks. London December futures for the world benchmark crude oil, North Sea Brent Blend, were quickly down by about 25 cents to about $20.15 per barrel.

A resumption of Iraqi oil exports would create a difficult situation for Opec (the Organisation of Petroleum Exporting Countries), which might have to reintroduce quotas to prevent a glut, according to oil industry analysts.

Opec ministers are due to meet in Vienna on November 25.

Airbus in new for old Kuwait deal

AIRBUS Industrie has agreed to buy back from Kuwait Airways six older widebody aircraft as part of a deal to supply the airline with a fleet of new aircraft, writes Paul Betts, Aerospace Correspondent. Airbus will take back five A310 jets and one A300 jet worth around $200m starting next June.

The six aircraft built in the late 1970s and early 1980s were captured by Iraq when it invaded Kuwait two years ago.

Iraq subsequently flew the six jets with its own aircraft to safety in Iran when the western powers launched their campaign to force Iraq out of Kuwait in January 1991. All six aircraft have now been returned to Kuwait.

Chinese growth rate put at 10.6%

CHINA'S economy grew by 10.6 per cent during the first three quarters of 1992, slowing slightly from rates as high as 12 per cent earlier this year, the State Statistical Bureau said yesterday, Reuter reports from Beijing.

The bureau said China's gross national product rose to 1,700bn yuan ($314bn) between January and September, an increase of 10.6 per cent increase over the same 1991 period.

"Overall, economic performance is showing fast production, fast growth of demand, and better circulation," the statistics bureau said. The high growth rate raised fears among economists and officials that the economy might be veering back toward another period of disastrous overheating.

Board sackings raise doubts over Nigerian LNG project

By Michael Holman in London and Reuter in Lagos

THE NIGERIAN government yesterday sacked its representatives on the board of the country's liquefied natural gas joint venture, two months ahead of a financing deadline for the $4.5bn (£2.8bn) project.

The unexpected decision raised concern about the completion timetable of a venture which dates back over two decades and which has suffered setbacks in the past.

Nigeria LNG is 60 per cent owned by Nigerian National Petroleum Corporation, 20 per cent by Royal Dutch/Shell and 10 per cent each by Italy's Agip and Elf Aquitaine of France. The plant would draw on Nigeria's proven natural gas reserves of 2,600bn cubic metres, and would be able to produce up to 4.5m tonnes a year of liquefied gas.

The decision comes two weeks after the board discussed bids by international consortia for the $2.6bn main contract at Bonny, 540km from Lagos, project officials said. Bids will become invalid if at least tentative financing, including some $3bn in guaranteed loans, is not in place by December 22, they said.

The officials said there were doubts over prospects for financing by the deadline. One consortium bidding for the main contract includes Kellogg of the US and France's Technip. The other is led by Bechtel of the US and Japan's Chiyoda.

The news was greeted with astonishment by western bankers and donors, anxious about the future of a project.

But industry officials were cautious in their assessment of the impact on the project. "The Nigerians have three competent international partners," said one last night. He went on to warn, however, that "if momentum is lost because of political or other uncertainties, the project will unravel. And if they don't make this one they can forget it."

Mr Chu Onkongwu, the petroleum minister, said that the government representatives on the board of Nigeria LNG had been "unable to share government objectives". These were to ensure the project incorporated best available technology, the most favourable investment terms and the maximum possible transfer of technology to Nigeria.

Australian miners go on strike

AUSTRALIAN coal miners have called a 48-hour strike, the country's first national coal stoppage for almost a decade, writes Bruce Jacques in Sydney. Miners in all but a few operations walked out yesterday over a dispute involving changes to work practices.

This followed a decision by the Coal Industry Tribunal not to grant immediate industry-wide wage increases to underground workers in return for agreement to more flexible work practices.

The tribunal decided that productivity gains would first have to be demonstrated to have resulted from the new practices, then wage rises could be negotiated at individual mine sites.

The only mines still operating last night were in the northern district of New South Wales, where a number of companies are more advanced with wage and work practice deals on an individual mine basis.

Japanese tighten household spending

Japan's household consumption in August fell 0.4 per cent on the same month last year, reflecting a continuing fall in consumer confidence and heightening government concern about the health of the economy, writes Robert Thomson in Tokyo.

The Management and Co-ordination Agency said personal spending appeared unlikely to recover before the end of the year. Spending on furniture and household sundries was down 10.8 per cent, transportation and communications down 7.1 per cent and clothing and footwear down 6.2 per cent.

Stand-off over Palestinian talks

Palestinian negotiator Elias Freij called off a planned meeting with a British minister yesterday because Britain would not allow a Palestine Liberation Organisation representative to be present, Reuter reports from London.

Mr Freij, mayor of Bethlehem, said a PLO rule that the local PLO representative must attend any meeting between a Palestinian official and a government minister in Europe had prevented him from seeing Mr Douglas Hogg, junior foreign office minister.

Bush urges Americans to shun Perot

By Jurek Martin, US Editor, in Washington

PRESIDENT George Bush yesterday urged Americans not to "waste" their votes by supporting Mr Ross Perot, the independent candidate, in the presidential election.

Turning his fire on his fellow Texan at last, Mr Bush said, in a television interview during his southern campaign swing, that Mr Perot "has some nutty ideas and makes some crazy statements about me giving Saddam Hussein permission to take the northern part of Kuwait."

The world, he said, was a bit more complicated than Mr Perot's simplistic approach implied. "I don't think he can possibly win," Mr Bush went on, "and I think he knows that and I think the people supporting him know that. They want to make a statement, a statement of anger."

The president, who has been hammering Governor Bill Clinton, the Democratic candidate, with joyous abandon all week, predicted he would emerge victorious on November 3.

He said he had just spoken to Mr Brian Mulroney, Canadian prime minister, who had recalled that, in 1988, he was 11 points behind in the polls shortly before the Canadian election but had gone on to win by 11.

Mr Bush conceded his "tracking" polls now showed him 12 points behind Mr Clinton. The latest rolling CNN/USA Today poll puts the gap at 13, with Mr Clinton on 45 per cent, Mr Bush on 32 per cent and Mr Perot 15 per cent.

An ABC survey found more of a surge for Mr Perot, whose support went from 11 to 19 per cent in a week, with Mr Clinton down from 52 to 48 per cent, Mr Bush unchanged at 29 per cent and undecided dropping from 8 to 4 per cent.

His attack on Mr Perot not only returns Mr Perot's assault on him in the Monday televised debate, it also follows the assertion by aides to the independent candidate that Mr Bush himself is "no longer a factor" in the election.

"We think Bush is down so far he can never recover," Mr Clay Mulford said. "If you take 30 per cent of Clinton's vote and put it with ours, we can win."

Mr Orson Swindle, the campaign director reprimanded by Mr Perot for his criticisms of Mr Clinton, repeated them and said only Mr Perot represented a vote for change.

This is being pressed in a massive new television advertising blitz.

Mr Clinton conceded yesterday that he thought Mr Perot took more votes away from him than from Mr Bush.

STILL ON THE RAILS: President Bush greets people of Burlington, North Carolina, from the caboose of a traditional campaign train

The concern is particularly evident in the mountain states where Mr Perot has long been popular but where the Democrats hold real hopes of breaking the Republican monopoly.

Beyond the debate sparring, this has not yet translated into a direct Clinton attack on Mr Perot. He has preferred to stress – in his travels through Colorado, Wyoming and Montana - that he, like Mr Perot, has an economic plan, that it is more workable and that he is not a conventional Democrat.

Skulduggery on the low road to Congress

George Graham finds candidates slinging mud as they seek seats in the Senate and House

PRESIDENT George Bush has spent much time on his campaign trips lamenting that this is the dirtiest political year he can remember.

Some commentators have agreed but the presidential race has seemed genteel in comparison with some of the mud-wrestling contests in Congressional elections across the US.

Incumbent members have faced uphill struggles against opponents who have gleefully leapt on, and often distorted, the number of cheques they may have overdrawn at the now defunct House of Representatives private bank.

Some, however, have been accused of much, much more; Congressman Steny Hoyer of Maryland, chairman of the House Democratic caucus, for example, is the target of radio advertisements which stop a whisker short of charging him with condoning cocaine sales by employees of the House post office, under his authority.

Mr Hoyer, however, can take comfort from the fact that it is his institutional role which is under attack.

Others have seen their personal lives come under close and critical scrutiny. An election in a Georgia district just north of Atlanta is widely seen as the most vituperative battle so far. It is between Congressman Newt Gingrich, the minority whip in the House and number one on the Democratic hit list of Republicans they would like to see defeated, and Mr Tony Center, a trial lawyer. The latter ran radio advertisements calling Mr Gingrich a "deadbeat dad" for failing to make child support payments to his ex-wife.

"The same Newt Gingrich who used taxpayer money for his limo had to be ordered by the court to pay for his kids' heat and electricity. No more perks, no more lies, no more Newt," the Center ad said.

It also accused Mr Gingrich of serving divorce papers on his wife the day after her cancer operation. A Gingrich spokesman said divorce papers were never served.

Mr Gingrich countered with a television advertisement accusing Mr Center of working to withhold child support payments from two children whose mother had not paid him the legal fees she owed.

"Center actually sued to strip a four-year-old and a one-year-old of their child support to pay his own legal fee. He even claimed his own fee mattered more than the children's food, medicine and shelter," the ad said.

The level of abuse in the race is viewed by campaign managers as an indication of how close it is likely to be. The district ought to be Republican, but Mr Gingrich is a newcomer to the area, and won his party's nomination by only 980 votes after a heated primary.

In the Colorado Senate race, dirty tricks have also run wild. Mr Ben Nighthorse Campbell, the pony-tailed Olympic *judoka* and jewellery designer who is now the only Native American in Congress, had to fire two aides who called in under false names to a radio show featuring his opponent, Mr Terry Considine, and tried to lure him into expressing an extreme view on abortion.

Sometimes, however, the mud flies back in the thrower's face. Mr Rick Reed, the Republican with the near-impossible task of challenging Hawaii's popular Senator Daniel Inouye, resorted to advertisements claiming that he had forced his attentions on his hairdresser 17 years earlier. The advertisement included a tape-recording of the hairdresser made without her knowledge and used without her consent.

Mr Reed has been forced to withdraw the ad, and has been rebuked by Hawaii's state Republican party chairman, Mr Jared Jossem. "I think it cost Reed votes," Mr Jossem said.

Franco seeks far-reaching fiscal reform

By Christina Lamb in Rio de Janeiro

MR Itamar Franco, Brazil's acting-president, has abandoned plans to impose new emergency taxes in favour of a sweeping fiscal adjustment to be introduced by the end of the year, in order to cover an expected $20bn shortfall in the budget next year.

He rejected proposals from his economic team on Wednesday night to introduce two stop-gap taxes – one on cheques and another on items such as fuel and telecommunications – that would have left restructuring for next year.

Instead, he said he wanted to take advantage of his current political support in Congress to push through structural changes requiring constitutional amendments in an "all or nothing" strategy.

"Let us be daring!" he was quoted by ministers as saying, as he outlined ambitious plans to redress completely the balance between the federal government and states and municipalities.

Under the constitution, most revenues are divided among local governments, while most responsibilities remain in the hands of the cash-starved centre.

Mr Franco is well placed to tackle this controversial issue. Brought to power three weeks ago by a popular movement and a Congressional vote to initiate impeachment of President Fernando Collor, he has the most support in Congress of any president in recent Brazilian history and intends to exploit that.

Unlike Mr Collor, Mr Franco is working closely with politicians, involving congressmen, state governors and mayors.

Fiscal reform has long been viewed as vital for the struggle against inflation, but has always been put off because of the difficulty of obtaining Congressional approval. A 25 per cent real fall in tax revenue over the last two years and the rise in inflation to 27 per cent a month have injected new urgency.

● The Brazilian Senate has approved the issue of $7.2bn in bonds for unpaid interest on the country's foreign debt, accumulated during a debt moratorium in 1989-90.

US banks challenged on Brazil tax claims

By George Graham in Washington

THE US Internal Revenue Service is challenging several hundred million dollars of tax credits claimed by US banks on loans to Brazil.

In a test case brought to the US Tax Court by Riggs National Bank, a small Washington DC bank, the IRS says US banks claimed "phantom" credits for withholding taxes paid in Brazil in the mid-1980s.

Although the Riggs case involves relatively small sums, the IRS said in court filings that Citibank, the big New York-based banking group, "presumably has the largest stake in the outcome".

Citibank officials declined to comment on the case, but the bank is involved in a suit with the IRS on the same subject.

The IRS says Riggs produced receipts for taxes paid on loans it made to the Brazilian central bank, but contends that the central bank in fact never paid any such tax to the Brazilian treasury.

"The fundamental purpose of the foreign tax credit is to avoid double taxation, and there simply was not taxation in Brazil," the IRS said in documents filed with the tax court.

The IRS has been broadly successful in similar cases it brought earlier against banks involved in lending to other Latin American countries such as Mexico, but some of the legal issues remain in dispute.

■ Farm talks collapse over ½m tons of soya ■ It's not all over, say French ■ Slippery slope to trade war in offing

Gatt hopes sink into electoral morass

By David Gardner in Brussels

HAVE six years of negotiations on liberalising world trade finally ended in nought? According to the Americans it's all over. The talks between the European Community and the US aimed at resolving the key outstanding issues have broken down. According to the EC, it's all an American negotiating ploy. Either way, there is little doubt the talks stand on the brink of collapse.

On Monday night, US negotiators said the talks were at a dead end. They accused the EC of reopening arguments over trade in cereals and cereals substitutes which the Americans thought had been settled. This further poisoned the separate dispute over the EC's oilseeds subsidy regime, where a narrow but rigid gap remained to be closed.

The EC yesterday insisted that negotiations were continuing and would continue. Mr Joe O'Mara, of the US agriculture department, saw Mr Ray MacSharry, EC agriculture commissioner, yesterday before returning to Washington. But there is so far no date for Mr MacSharry to meet US agriculture secretary Mr Ed Madigan. They had been expected to seal a deal this weekend.

EC officials claim the US is trying to exert pressure by negotiating through the media. "They are trying to create the impression that the EC has kicked over the table" and backtracked under French pressure to safeguard its lucrative food exports.

"They know that we know that they have a deadline," an EC official remarked, referring to President George Bush's hope for a Gatt deal to boost his re-election chances.

There are political problems for both sides. France's Socialist government faces defeat in next spring's elections. Under pressure from its farmers, it is retreating from its commitments under May's radical reform of the Common Agricultural Policy. The reforms entail cuts in farm prices and output which enable the EC to make farm trade cuts within the Gatt.

The US says it has no further room for manoeuvre on the oilseeds dispute. The Gatt has twice ruled against the EC oilseed subsidy regime, and pressure from powerful US soya producers and trade lobbies mounted as a deal on farm trade came closer last week.

Yet the two sides seem so close. Only half a million tonnes of soya appears to separate their positions. Washington wants EC oilseed output cut from an estimated 11.4m tonnes for this year to 9m tonnes. The EC says reform of the CAP, imposing cuts of 5.128m hectares in the area sown with oilseeds, would yield 9.5m tonnes. "We can't do any more than that without opening up the CAP reform; they're playing into the hands of the French," one EC official said.

On subsidised exports, the Gatt prescribes a 24 per cent cut in volume. Last week the two sides were discussing how to give flexibility to EC farmers, so they could make biggers cuts in, say, barley, while exporting more wheat, as long as after six years the full cut was made. The US this time is understood to have offered a straight 22 per cent cut instead, while the EC has offered a formula delivering less, both sides confirm.

The older dispute over "rebalancing" – EC protection against cheap US cereal substitutes like corn gluten feed – was also reopened, both sides said.

Breaking this impasse appears to depend on whether the Commission can hold the French to their CAP undertakings, for which they will need the vigorous support of France's 11 partners, especially Germany. Brussels will also have to work out some formula on oilseeds which will safeguard the EC's farm reform and relieve some pressure on Mr Bush. Otherwise the chance to reform the world's trading regime may sink with the seemingly electorally moribund governments in Washington and Paris.

Talks failure highlights rift in commission

By David Gardner and Lionel Barber in Brussels

THE latest frustrating episode in the effort to get a world trade deal has highlighted a bitter rift inside the European Commission between its president, Mr Jacques Delors, and agriculture commissioner, Mr Ray MacSharry.

According to senior officials in Brussels, Mr Delors and Mr MacSharry have clashed over how far the commission should go in granting concessions to the US. Mr Delors is understood to feel that Mr MacSharry has already yielded too much.

On the eve of last week's EC summit in Birmingham, Mr Delors, who is said to nurse ambitions to succeed President François Mitterrand when he steps down from the Elysée, said "the adolescent [European] community should be able to say no to its big brother [the US], provided it has a sound argument to do so."

Mr Delors' words left the impression in Brussels that he was taking his native country's side. Last week, Mr Delors acknowledged there were rumours to this effect but he vigorously dismissed this as "pure slander".

However, it is clear Mr Delors faces the dilemma of reconciling his duties to the community as a whole with his emotional commitment to French farmers.

Mr Delors denied that he had been sitting on the fence during Gatt talks led by Mr MacSharry and Mr Frans Andriessen, external affairs commissioner.

But both EC negotiators are understood to be privately disappointed that Mr Delors has not come out unequivocally behind efforts which only last week appeared on the brink of success.

MacSharry: lack of backing from Delors

Mr Delors said last week that the subsidised farm trade dispute was "not just a French problem," arguing that "there must be an equitable arrangement" in any Gatt deal.

His criticisms of the food production restraints required by Gatt nevertheless centred largely on tighter limits already put in place in May within the reform of the Common Agricultural Policy (CAP). Mr Delors' remarks came shortly after senior French officials had made clear in Brussels that they did not believe the CAP reform would work or be adhered to.

Senior commission officials interpreted this as a French retreat from its commitments under the new CAP.

Delors: MacSharry has yielded too much

"It is clear now that France never really intended to comply with CAP reform," one said.

Nevertheless, Mr Delors, in his seven-and-a-half year stewardship of the commission, has given it the strongest leadership it has had for 25 years. Mr MacSharry and Mr Andriessen, along with other commission colleagues, are looking to him to display the same political courage now.

Farming lobby in US wields its power

By Nancy Dunne in Washington

IN 1979, thousands of American farmers rode their tractors into Washington to protest about low farm prices.

Their timing was unfortunate. The protest blocked traffic for hours during a Washington blizzard. The farmers' "tractorcade" is still referred to with bitterness.

Since then farm groups and their agribusiness colleagues have developed more effective methods of bringing Congress and the White House to heel. They have built strong coalitions with other farm groups and with both Democrats and Republicans in Congress and the administration. Their influence is reflected in letters signed by dozens of senators and congressmen, distributed to the media and dispatched to apply pressure on officials in the executive branch.

Europeans are often bemused by the power of these lobbies. A breakthrough over agriculture in the Uruguay Round was all but achieved last week, when it was vetoed by Mr Dean Kleckner, president of the American Farm Bureau Federation, who telephoned Mr Ed Madigan the US agriculture secretary, during the negotiations.

Well-placed political contributions buy access for adroit Washington representatives. Relationships are cemented in lunches and other social functions, bought by the lobbyists, who themselves are often former government officials.

Direct financial backing is distributed through political action committees, (PACs) funded mostly by agribusiness, chemical and food companies, and related manufacturers. Among the PACs financing the congressional elections in 1990 were: the American Soyabean Association, the American Sugarbeet Growers, Dow Chemical Company, General Mills and Phillip Morris.

The hard times in the farm belt have stretched the budgets of many farmer organisations. The populist American Agriculture Movement has little extra cash, but it helps farmers who come to Washington to lobby their Congressman.

The American Soyabean Association – the group which filed the complaint over EC oilseeds subsidies, which the US brought to the Gatt and won – receives contributions from agribusiness and funding to promote exports of soyabeans from the proceeds of some soyabean sales and the US agriculture department.

The group, which has strong ties all over Washington, has been urging the administration to take strong action against the EC for refusing to phase out its oilseeds subsidies since August.

It has no illusions about the stakes. Mr Steve Yoder, president of the American Soyabean Association, says: "I lay awake nights worrying about a trade war." But he also worries about the shrinking EC market, and sees no alternative to sanctions.

UK rejects French view on timetable

By Ivo Dawnay in London and David Buchan in Paris

MR John Major, the British prime minister, yesterday rejected a French assertion that a conclusion to talks on the General Agreement on Tariffs and Trade may now be several months away.

In response to reports that Mr Roland Dumas, the French foreign minister, believes any serious transatlantic dialogue in the Gatt negotiations is "several months" away, whatever the result of next month's US presidential election, Mr Major stated that European Community countries had agreed at last week's Birmingham summit to complete the accord by the end of the year.

Reminding the House of Commons that he spoke as president of the EC council, Mr Major said that the differences between the EC and the US could be bridged. "What is needed is for both sides to stay at the negotiating table and I will do all I can to bring that about."

He added that his position was shared by Mr Frans Andriessen, the trade commissioner, and "the majority of member states."

France, like other EC members, yesterday contested US suggestions that the EC-US talks on Gatt and agriculture had come to a final rupture in Brussels this week. But, in contrast to London and Bonn, Paris regards negotiations to break the Gatt impasse on agriculture as effectively in abeyance until a new US administration takes office in January.

By that time, however, France will be weeks away from its own legislative elections, strengthening the government's resistance to US demands on cutting EC, chiefly French, farm exports.

Mr Major's counter-claims come against a background of mounting concern in the UK that any delay in a conclusion of the Gatt talks would seriously jeopardise the prospects of economic recovery.

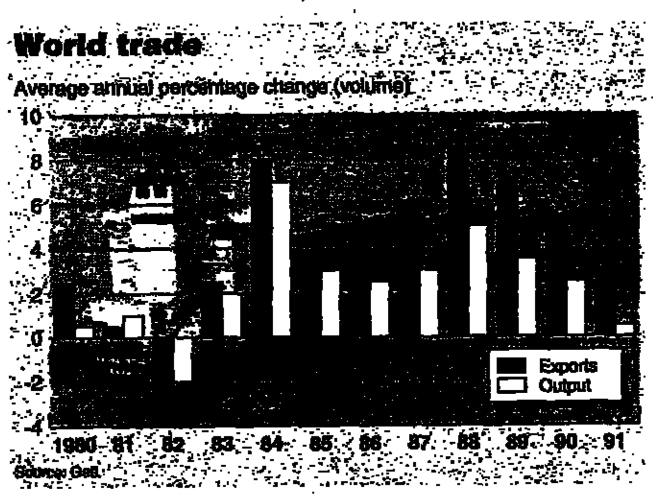
Likely battle plans if war breaks out

By David Dodwell, World Trade Editor

MR Arthur Dunkel, the ever-patient director general of the General Agreement on Tariffs and Trade (Gatt), remains resolute that the latest setback in farm trade negotiations between the European Community and the US will not be fatal.

"I can't imagine that the US or the EC would take the responsibility of breaking down the round at a time when we need so much a success as a signal for the very sluggish world economy," he said yesterday. Over the past 40 years, trade liberalisation under Gatt has been credited with much of the global economic growth that has marked the post-war period.

But what if the unimaginable happened? What if the US administration announced the immediate imposition of $1bn (£600m) of punitive tariffs on EC farm exports as a sop to oilseed farmers who have argued for six years – and won Gatt support in their case – that the EC's oilseed subsidy regime is damaging their exports?



The immediate response would be retaliation from the EC, which has already drawn up, but not made public, a "hit-list" of US farm exports that would be targeted.

From here, the slippery slope to trade war is more difficult to chart. It is likely that subsidy wars would be declared on a number of farm product – wheat and beef would be early candidates. The price for taxpayers in the EC and the US could be considerable, as funds are channelled into such subsidy wars. The price for other farm exporters, like Australia, Argentina, Canada, and many developing countries; could be even greater as exports are lost and farm export prices fall.

A long-standing dispute over steel exports to the US would also quickly spill over, perhaps with the US imposing countervailing duties on imports from countries deemed to be dumping steel into the US market. A number of other disputes have been held in abeyance while Uruguay Round negotiations have continued in good faith and these would quickly rise to the surface.

Another casualty of a deterioration in trade relations would be the Gatt's dispute-settlement system – the only multilateral forum in which trade complaints can be dealt with. Already Mr Dunkel has talked of "non-implementation of many (dispute) panel findings continuing to undermine the effectiveness of the Gatt system".

He said in his annual report in March that two-thirds of panel reports since 1986 needing domestic action had not been acted upon. Many countries have linked action to a successful outcome of the Uruguay Round. Nine out of every 10 cases involve Japan, Canada, the US or the EC.

The US has already warned that it has exhausted its patience with the Gatt dispute settlement system as far as its dispute with the EC over oilseeds is concerned.

Implicit is that the US will in future settle disputes bilaterally rather than use Gatt.

A number of recent successes by the US in using its domestic "Section 301" legislation to force trade, or market opening compromises from countries like China, India and Taiwan suggests that a Uruguay Round failure would see rapid abandonment of multilateral dispute settlement procedures.

A further price of failure would be that areas of trade still outside the multilateral framework – like trade in services, textiles and farm products, and in protection of intellectual property – would remain hampered by national trade barriers or regulation.

EFA weighs costs and commitment

David White reviews propositions and positions on the European Fighter Aircraft project

IN SEVEN thick volumes, the industrial partners in the European Fighter Aircraft have set out to meet the demands of the German government and try to rescue Europe's most important collaborative military programme.

But their report, sent to the UK, German, Italian and Spanish governments last Friday, could be shutting the stable door after the horse had bolted. The horse in question is Mr Volker Rühe, the German defence minister. He is adamant that the EFA programme, worked on by the four nations since 1984, is a thing of the past.

The study was commissioned by defence ministers in August after Mr Rühe announced that Germany would not go ahead with EFA production. Its target was to find a way of producing a fighter for 30 per cent less than the price put forward six months ago and which Germany rejected as far too high.

It concludes that the 30 per cent target could be met using the current EFA airframe and engines. These have absorbed most of the £5.5bn ($8.96bn) already spent on development.

Responding to Mr Rühe's call for a new aircraft instead of the EFA, the report examines seven alternative designs but concludes that these would either be more expensive or fall well short of requirements.

Even if Germany were to stay, its share of the project, geared to the number of aircraft bought, would be expected to drop from 33 per cent to 25 per cent; and Britain's to rise from 33 per cent to over 40 per cent.

UK experts believe the "significant cost savings" would still apply if Germany quit the project. How the sums would work out if Britain decided to pursue EFA completely on its own are still unclear, however.

The report was produced by Eurofighter, the Munich-based consortium of British Aerospace, Deutsche Aerospace, Alenia of Italy and CASA of Spain, together with the Eurojet engine grouping of Rolls-Royce, Deutsche Aerospace's MTU subsidiary, Fiat and the Spanish company ITP.

Mr Rühe has so far been dismissive of UK hopes of keeping even the basic EFA plan, arguing that the partners should start with a clean sheet of paper and design an aeroplane for today's needs rather than a world war against the Warsaw Pact. He attaches more weight to a parallel study being carried out by the four chiefs of defence staff.

Britain believes the defence chiefs will want an aircraft similar to the EFA, but Mr Rühe has other ideas. The crunch is expected to come at a defence ministers' meeting in early December. Meanwhile, British proponents of EFA hope to exert pressure on other members of the German government.

Eurofighter's proposed cuts are set against the "system price" it submitted in April. This is a price definition used only by Germany, including production tooling and the cost of keeping aircraft in service for 10 years. Its figure was DM127m per aircraft, or about £43m at the exchange rates of the time.

Eurofighter now says this can be reduced by 13 per cent without changing the aircraft by reshuffling some of the work share arrangements and reducing the allowance for logistical support. The aircraft is designed to be more reliable and therefore cheaper to maintain than its predecessors.

Downgrading some equipment – with a loss of perhaps 4-5 per cent in performance – would lower this cost to DM100m, a 21 per cent reduction. Eurofighter has dubbed this aircraft the New EFA. Further cuts would offer more savings. With a limited electronic warfare capability and using a current radar instead of the one being specially developed for EFA, Germany could achieve a target price of DM90m.

This would also be within the levels that Mr Rühe says Italy and Spain regard as a maximum. Both have initially made positive noises about the report's conclusions. Proponents believe that offering a "family" of aircraft will also boost prospects for export to other countries.

Among the alternative new designs considered, only two worked out cheaper than continuing with EFA, and then only fractionally. Both these would be single-engined models using on the same EJ200 engine as the twin-engined EFA. More powerful engines would make them costlier. They would not, according to Eurofighter, fare well against improved versions of the latest Russian-made fighters.

The EFA programme has already slipped nine months, and the target for bringing it into service has been moved back from by two years to the year 2000.

A new aircraft, according to Eurofighter, would not be ready until at least 2005. Industry representatives warn that such a delay could force some of the companies involved out of business.

Seoul seeks talks on dumping ruling

By John Burton in Seoul

SOUTH Korea is to seek talks with Washington to try to persuade the US to reduce dumping charges on Korean semiconductor companies.

The US Department of Commerce has ruled that several Korean companies, including Samsung Electronics and Goldstar Electron, are selling dynamic random access memory (Dram) chips at far below fair market rates in the US.

The Korean semiconductor industry fears that if the preliminary dumping ruling stands it could cripple exports to the US, its biggest market. The US accounts for 44 per cent of Korean Dram exports.

OCTOBER 23 1992

...r in offing ...arming lobby in US wields its power

Nancy Dunne Washington

THE MAIN RECOMMENDATIONS

Call for exercise of informed judgment

Lord Justice Bingham concludes that the BCCI shutdown should not lead to greatly intensified supervision of all banks, or to the substitution of a code of detailed rules for "the exercise of informed judgment".

He does not recommend "any radical recasting" of bank supervision. Supervision ultimately relies on the "skill, alertness, experience and vigour" of supervisors, but he makes a number of detailed suggestions to strengthen it:

UK banking supervision

● The Bank of England's board of banking supervision lacked important information needed to fulfil its role over BCCI. The board's members should be alerted to "any fact which even might cause their antennae to twitch".

● The Bank's traditional techniques of supervision based on trust, frankness and a willingness to co-operate "on the whole have served the community well". But the Bank needs to be alert to the possibility of fraud, astute in recognising it, and active in investigating it.

● The Bank should establish a trained and qualified special investigations unit within the supervision division to consider all warnings and suspicions of malpractice, and ensure that they are investigated effectively.

● The Bank should take steps to strengthen its internal communications, which were exposed by the inquiry as "a significant weakness".

● The Bank should strengthen its legal unit following BCCI. The main value of such a unit is not to warn supervisors of what they cannot lawfully do, but to ensure they are aware of the full extent of their powers under the law.

● The Bank has powers to refuse or revoke authorisation on the grounds that a bank cannot be effectively supervised, and to make banks locate their head offices in the country of authorisation. If its hand would be strengthened by a change in law, this should be done.

European Community

● The principles that European Community states should stop supervisory "forum-shopping", that a bank's place of incorporation is treated as its home, and that head offices should be in the same state as registered offices should be articles of the Second Banking Co-ordination Directive.

● The directive should explicitly confer on EC states the right to refuse or withdraw banking supervision in the case of bank structures considered inappropriate for bodies carrying out banking activities.

● There should be an EC directive establishing a banking deposit guarantee schemes in all member states, and imposing the guarantee obligation in respect of qualifying liabilities in member states other than the bank's home state.

International supervision

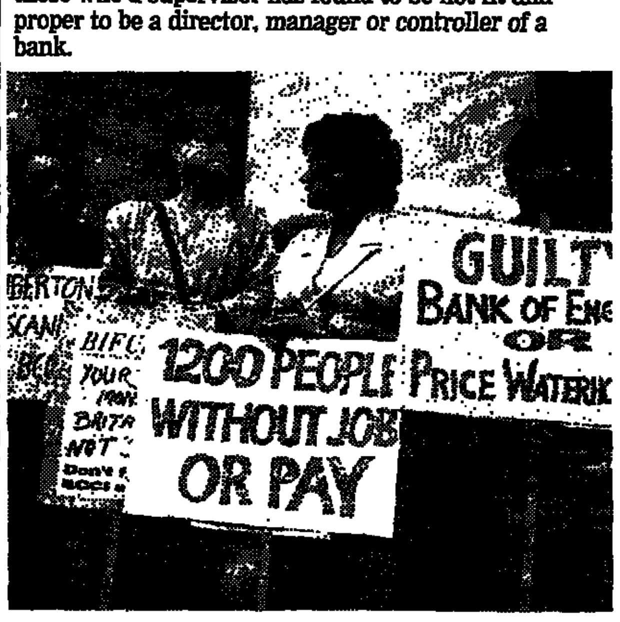
● There should be some form of international monitoring of supervisory standards, possibly by the Bank for International Settlements.

● Whenever a "financial centre that offers impenetrable secrecy" is involved in the affairs of a bank, that should be sufficient reason for any supervisor to refuse or revoke authorisation.

Disclosure

● There should be a UK review of the circumstances under which bodies discharging public functions should be allowed or required to pass information about a bank's activities to each other and to regulatory authorities.

● There should be an international database listing those who a supervisor has found to be not fit and proper to be a director, manager or controller of a bank.



Auditors' duties

● Auditors should have a legal duty to report to the Bank anything they know to be relevant to a bank's fulfilment of criteria in the 1987 Banking Act. They should also have a duty to provide information reasonably requested by the Bank for supervisory purposes.

● All companies in a banking group should have the same accounting dates.

● A report covering all aspects of accounting and annual controls should be commissioned annually from the reporting accountant of a bank incorporated outside the UK, rather than every four or five years as at present.

● The Bank should consider introducing checks and remedies to prevent organisations under the common control of banking groups from having opportunities for fraud and manipulation.

● The Bank should have the power to require a separate audit of banks domiciled outside the EC.

'Auditors have a crucial role to play but the duty to supervise is a duty the Bank of England cannot delegate'

Lord Justice Bingham

'He [Robin Leigh-Pemberton] should apologise to BCCI's victims and you, Mr Chancellor, should sack him'

Brian Sedgemore, Labour MP

'The scale of the fraud was unique and was concealed from auditors and supervisors for many years'

Robin Leigh-Pemberton

Attack on Major rejected

By David Owen

MR NORMAN Lamont, the chancellor, told MPs yesterday that he would vigorously pursue all the recommendations made by Lord Justice Bingham in his report into Bank of Credit and Commerce International, which was closed by the Bank of England in July last year.

Mr Lamont leapt to the defence of Mr John Major, the prime minister, and other Treasury ministers past and present over their role in the supervision of BCCI before its closure.

Claims by Mr Gordon Brown, the shadow chancellor, that Mr Major must accept a share of the blame for the BCCI debacle were "absolutely disgraceful", Mr Lamont said. The report made "quite clear", he added, that the conduct of Treasury ministers including Mr Major was "not open to criticism in any respect".

Labour should accept that the real responsibility for what had happened lay with the criminals who "perpetrated the fraud", rather than seeking "to get whatever miserable political advantage they can out of this".

Mr Lamont also defended the conduct of Mr Robin Leigh-Pemberton, Bank governor, in the face of repeated Labour calls for him to resign. "I do not believe it would be right to call for the resignation of the governor of the Bank of England," he said, adding that he had "every confidence" in him.

Repeatedly questioned on the subject of compensation for BCCI depositors, Mr Lamont offered no additional help over and above that provided by existing schemes. He said that £50m in compensation had already been paid to 9,000 people out of a figure of up to £85m that could be paid out.

"I do not believe we should have a system of 100 per cent compensation," he added, seeking to differentiate the position of BCCI depositors from those affected by the Barlow Clowes collapse on the grounds that, in the case of Barlow Clowes, no relevant compensation scheme was in existence.

Mr Lamont was also dismissive of the recent report into BCCI published by Senator John Kerry, saying that he did not accept its findings. The document made "some wild allegations which were incorrect", he added.

Mr Brown focused his remarks on the question of responsibility, asking whether it was "right that junior Bank of England officials should alone shoulder the blame".

Mr Lamont should accept that Mr Leigh-Pemberton's statement in April 1991 that BCCI was in pretty good shape constituted "something of a misjudgment". Far from the Treasury being uninformed, they knew full well that there was a problem and chose to do nothing more.

The theme was returned to by Mr Alistair Darling, a Labour Treasury spokesman, who said that "many people think it is high time that those who took decisions must stand up and take responsibility when things go wrong".

Mr Keith Vaz, the Labour environment spokesman who has campaigned on behalf of BCCI depositors, was among those to demand Mr Leigh-Pemberton's replacement.

Mr Vaz said: "The credibility of the governor of the Bank is no more. He should apologise for what has happened and you should sack him."

A series of written questions tabled by Mr Vaz later elicited the information that the "total direct costs" of Lord Justice Bingham and his inquiry team had amounted so far to £595,000.

Mr Brian Sedgemore, Labour MP for Hackney South and Shoreditch, asked whether Mr Leigh-Pemberton stood "outside the laws of England".

In an early-day motion, Mr Sedgemore had suggested that a Serious Fraud Office inquiry into allegations of corruption concerning Bank of England employees related to BCCI may have been prematurely wound up "for political reasons".

Addressing the difficulty of international supervision of banks, Mr Terence Higgins, former Tory chairman of the all-party Treasury and Civil Service committee which published its own BCCI report earlier this year, said it was essential to have "someone to regulate the regulators".

LORD JUSTICE BINGHAM completed his 11-month inquiry into BCCI this summer shortly before his appointment was announced as Master of the Rolls, the most senior civil court judge in England and Wales. Sir Thomas Bingham, 59, is regarded by the legal profession as having one of the best intellects on the bench. Those he interviewed during the inquiry describe him as personable but very rigorous.

The only son of two doctors, he was educated at Sedbergh and Balliol College, Oxford. He was called to the Bar in 1959 and rapidly earned a reputation as one of the brightest commercial lawyers of his generation and a brilliant advocate. He was appointed to the High Court bench in 1980 and to the Court of Appeal in 1986.

He is no stranger to controversy. In 1977 he was appointed to head the inquiry into Rhodesia sanctions-busting by UK oil companies. In 1989 he was the first judge to speak out strongly in favour of the Lord Chancellor's proposed reforms of the legal profession.

Governor outlines stronger measures

MR ROBIN Leigh-Pemberton, the governor of the Bank of England, made this statement yesterday in response to the Bingham report:

"Lord Justice Bingham has made some significant criticisms of the Bank's supervisory approach and draws attention to a number of very important lessons to be learned. I have announced today a series of important changes in the Bank which will strengthen our supervision in the future, and especially our approach to fraudulent or criminal activity.

"The changes include the appointment of Ian Watt, a distinguished and experienced accountant, to head a new special investigations unit at the Bank; this will pursue any suggestion of fraud or criminality and ensure that necessary action is taken either by the Bank or by other authorities.

"They include the appointment of Peter Peddie, who has great experience of the City and the Bank, to head a new legal unit to make sure that the Bank uses its Banking Act and other powers to the full.

"They include measures to make the contribution of the Board of Banking Supervision even more effective.

"And they include strengthening of communications within the Bank and between the Bank and government.

"I believe our supervision will benefit greatly from these measures, taken together with the new minimum standards for international supervision agreed earlier this year in the Basle Committee, and the measures announced by the chancellor to strengthen our Banking Act powers and to create new inter-departmental machinery for the investigation and pursuit of fraud.

"I am conscious of the acute distress that the fraud in BCCI has caused to thousands of innocent depositors and businessmen. The scale of the fraud was unique and was concealed from auditors and supervisors around the world for many years. No supervisor, however alert and sophisticated, can give an assurance that fraudulent conduct will never occur, or that people will not lose money because of it. Our objective is to make such frauds increasingly difficult to perpetrate and to conceal.

"Our supervisors do an exceptionally difficult job, in circumstances where their successes are necessarily unseen, and I am pleased that Lord Justice Bingham has commended the professionalism with which the UK region of BCCI was supervised by the Bank.

"There have been many cases where our supervisors have played a crucial role in successfully protecting depositors by ensuring that banks maintain prudent standards, by identifying and dealing with weaknesses before they become a serious threat, and by programmes of remedial action.

"The general record is good, and I believe that Lord Justice Bingham is right in saying that the present system of supervision has served the community well. I want our supervisors to have the resources, training and above all the support they need to do this difficult but critical job. That is why Lord Justice Bingham's recommendations are so important, and why we are implementing them in full."

Court agrees $1.7bn compensation plan

By Andrew Hill
in Luxembourg

A LUXEMBOURG court yesterday approved the $1.7bn compensation plan worked out by BCCI's liquidators and the Abu Dhabi majority shareholders.

Assuming creditors do not appeal against the decision, the judgment clears the way for compensation payments to begin next year.

Mrs Maryse Weiter, the principal judge in a three-person tribunal, said yesterday that creditors who objected to the plan had not come up with a credible alternative. Separate legal action against Abu Dhabi would be "long and costly", and the result uncertain.

She authorised the liquidators to sign the $1.7bn "contribution agreement" with Abu Dhabi, and the "pooling agreement", which would pool the proceeds from liquidation of BCCI's various operations.

Courts in the UK and in the Cayman Islands sanctioned the deal earlier this year. But the court in Luxembourg, where BCCI had its brass-plate headquarters, demanded more information from liquidators and the majority shareholders before taking a decision. The first court hearing was in June.

Mr Julien Roden, one of the Luxembourg liquidators, said after yesterday's formal judgment that he believed the plan was in the best interests of all creditors and an appeal would be counter-productive. "If an appeal is made, then the whole story of payments to the creditors will be postponed for months and months," he said.

In a ballot on the package, conducted at the Luxembourg court's request over the summer, the scheme received the backing of about 90 per cent of creditors who voted. The Luxembourg judge said that had been a deciding factor in the court's decision to approve the package.

Certain creditors had maintained their opposition to the plan, arguing that the court should consider the damning US report on the bank's collapse by Senator John Kerry and the UK report published yesterday by Lord Justice Bingham. But the court decided not to take the reports into account.

Once the agreement between Abu Dhabi and the liquidators is signed, creditors will be asked to prove their debt and to waive all further legal claims against Abu Dhabi.

Mr Roden said yesterday that the liquidators hoped to recover "a dividend" of 30 per cent-40 per cent for creditors. He warned that liquidation would be slow, taking at least three or four years.

He said the first tranche of payments, based on the compensation scheme, should be paid by the middle of next year. Further payments would be made each time a further 5 per cent dividend was realised from the liquidation.

US investigators back criticisms

By Alan Friedman
in New York

US OFFICIALS investigating the BCCI affair were cautious in their reactions to the Bingham report yesterday but generally agreed with criticism of the Bank of England, Price Waterhouse and Abu Dhabi.

Mr Jonathan Winer, an aide to Mr John Kerry, the Massachusetts Democrat senator who released his own BCCI report earlier this month, said the Bingham conclusions appeared to be "consistent with our own report".

Mr Winer said the underlying problem was "that the rules governing bank regulation and the international movement of capital need to be reviewed in order to make sure there is not a repetition of BCCI".

The Senate BCCI investigator pointed to a danger underscored by the Bingham report that "national boundaries are readily permeable". Mr Winer said that without greater transparency, as well as co-operation among regulators in the leading industrialised countries, "we will continue to be vulnerable".

The Kerry report used harsh language to criticise the Bank, and Mr Kerry even said that the Bank had effectively covered up the BCCI affair by not acting in 1990 when it received initial indications of the fraud. The Bank rejected Mr Kerry's conclusions.

Three weeks ago Mr Kerry also disclosed that Abu Dhabi, BCCI's majority shareholder, was the target of an investigation by the office of Mr Robert Morgenthau, the Manhattan district attorney.

In New York Mr John Moscow, the assistant district attorney who has spearheaded the Morgenthau BCCI investigation, said the Bingham report showed that electronic funds transfer technology "may be defeating regulators". He said a new generation of regulators or a new philosophy would be needed in order to tackle the problems posed by such technology.

Appointed men are no strangers to regulation

Ian Watt: investigation work and liquidations his specialty

BOTH Mr Ian Watt, the man named to the Bank of England's new special investigations unit, and Mr Peter Peddie, the head of the new specialised legal unit, are no newcomers to the regulatory scene, Norma Cohen writes.

Mr Watt, 59, a partner at KPMG Peat Marwick, has made investigation work and liquidations his speciality. In 1971 he was a joint liquidator of Rolls-Royce, while in 1982 he became the Department of Trade and Industry's investigator into insurance brokers Alexander Howden. In 1986 he headed the DTI's investigation into the share-support operation engineered by Guinness.

Most recently he was one of the joint liquidators to parts of Drexel Burnham Lambert, the US-based investment bank which collapsed along with the so-called junk bond market.

Mr Peddie, 60, who recently retired as a partner at Freshfields, the City law firm, has been involved in work for the Bank of England since 1975. He has been a member of the Law Society's committee on company law for the past 20 years.

Mr Watt, who has been one of the assessors to Lord Bingham's enquiry, said he feels his primary role is "to help banking supervisors develop some antennae for smelling out fraud" rather than to mastermind a radical overhaul of the supervisory process. "There is an overriding need for the regulators to identify the suspect banks and show their willingness to deal with them firmly," he said.

Among the early warning signs which ought to alert bank supervisors are corporate re-organisations that place key parts of a bank in geographic locations not easily reached by regulators. Also, the existence of large loans to a handful of organisations or a sudden shift of auditors ought to alert regulators, he said.

Mr Watt said he will also increase the use of outside expertise such as audit firms by the Bank of England and step up communication with other supervisory bodies.

Mr Watt will report directly to Mr Robin Leigh-Pemberton, governor of the Bank of England, and Mr Eddie George, deputy governor.

Mr Peddie will have direct access to both men but on a daily basis will report to the director of banking supervision and the director of money market supervision. "I see my task as bringing a legal focus to supervisory issues," said Mr Peddie.

Critical to their effectiveness, both men say, are proposals outlined by the chancellor to make it easier for regulatory bodies to share information with each other and for punitive measures that the Bank of England can take short of the so-called "nuclear option" of closing a bank down.

Peter Peddie: involved in Bank of England work since 1975

UK NEWS: Investigation into the BCCI scandal

'For Robin Leigh-Pemberton this is a bungle too far'

Calum Macdonald, Western Isles MP, whose council lost £23m with the collapse of BCCI

'The Bank of England supervisory work has, in Lord Justice Bingham's words, served the community well'

The British Bankers' Association

'I believe it is right that the governor should remain the governor and I have every confidence in him'

Norman Lamont

'The prime minister must accept his share of the blame. The Bank of England was a soft touch for a crooked bank'

Gordon Brown

Support for reporting requirement

By Richard Donkin

ACCOUNTANCY bodies last night supported the recommendation by Lord Justice Bingham that auditors should have a legal duty to report to the Bank of England in certain circumstances outlined in the 1987 Banking Act.

In addition to the recommendation of legal duty to be incorporated into the act, other recommendations directly concerning bank audits were:

- That auditors should have a duty to provide information reasonably requested by the Bank for supervisory purposes.
- All companies in a banking group should have the same accounting dates.
- A report covering all aspects of accounting and annual controls should be commissioned from the reporting accountant of a bank incorporated outside the UK annually, rather than every four or five years.
- The Bank of England should consider checks and remedies to prevent organisations under the common control of banking groups from having opportunities for fraud and manipulation. They might include requiring full disclosure of details of such organisations.
- The Bank should have the power to require a separate audit of banks domiciled outside the EC.

The Bingham conclusions on auditors were greeted with little surprise by the accountancy firms, which had been widely expecting the move.

In a joint statement they said: "The particular circumstances when a legal duty is to be imposed will need to be considered with great care to ensure the obligation is effective, without either encouraging over-reporting by accountants or auditors or imposing a needless formality into the preparation of the reports, which may cause delay in their issue to the Bank of England."

Ever since the 1987 Banking Act gave accountants the right to report suspicions without the knowledge of their clients, the profession has resigned itself to greater responsibility for acting upon suspicions of fraud or deceitful practices.

Mr John Tattersall, a partner at Coopers and Lybrand, said he believed the legal duty "might well clarify the statutory duty" of auditors. He added that he did not believe that the duty would produce any different response from auditors than they would have felt obliged to perform anyway under the 1987 act.

While the weight of the report's criticism was shouldered by the Bank of England, it also focused on the Bank's relationship with Price Waterhouse, the BCCI auditors. It said the Bank relied too heavily on the auditors.

The report referred to failures of communication between Price Waterhouse and the Bank of England after the Section 41 report into BCCI had been commissioned. That report would not have come as the "devastating surprise" it did, said Lord Bingham, had the Bank been more alert and had Price Waterhouse more plainly and comprehensively brought them to the attention of the Bank.

The report cleared Price Waterhouse of criticism by the Abu Dhabi majority shareholders, who have been angered that the auditor did not inform them of the investigation. It also appeared inconclusive about whether Price Waterhouse acted correctly in signing off the 1989 accounts – an area for which the firm has been criticised in the past.

Last night Price Waterhouse welcomed the report and singled out Lord Bingham's remark that "the problems came to light in large measure through the work of PW and the investigating team".

Price Waterhouse and Ernst and Whinney – now part of Ernst and Young – both former auditors of BCCI, are preparing to defend actions claiming about $8bn in damages.

End to regulation by a nod and a wink

John Gapper finds that the Bank of England's lot as policeman of the banking system is not a happy one

AS IT steadied itself this summer for the publication of the Bingham report, the Bank of England offered an elegant defence of its chequered history of bank supervision. Mr Eddie George, the deputy governor, made a speech in which he praised the "very profound truth" of the observation in the Pirates of Penzance that "a policeman's lot is not a happy one".

When regulatory duty is to be done, the Bank has certainly had a miserable time over the past 20 years. Starting with the secondary banking crisis of the 1970s, and continuing through episodes such as the rescue of Johnson Matthey Bankers in 1984, it has suffered a series of embarrassments in its efforts to maintain a well-ordered banking system.

The BCCI debacle has provoked the most stinging criticism of its supervision since the JMB rescue, when Mr Robin Leigh-Pemberton, the governor, was described in parliament as "that appalling deadbeat". It has renewed questions about whether the Bank is too much the product of a bygone era to manage unruly banks in an age of financial deregulation.

This re-examination comes at a sensitive time. Although BCCI was in many respects a unique mishap, bank supervisors are faced by many other challenges. The weaknesses of large banks exposed to bad loans in a recession mean that the Bank holds the reins in one of the most awkward periods for bank supervision in two decades.

Perhaps inevitably, there is little consensus within the banking industry on the appropriate balance between regulation and *laissez-faire*.

Some bankers grumble that politicians are in danger of providing excessive protection to consumers by over-protective regulation. If consumers come to believe that a bank can never fail they will not discriminate between good banks and bad banks when choosing where to place funds.

However, other bankers say the supervisors are occasionally too complacent and that their institutions could benefit if their business decisions were challenged more rigorously by the Bank.

In reflective mood: Robin Leigh-Pemberton, the Bank's governor

Colin Beere

The part of the Bank surrounded by this controversy barely existed before 1974. There were 13 officials in the discount office, which supervised discount houses (the intermediaries between the Bank and the money markets). They largely operated by "gossip" with bankers. Although lighter supervision could hardly be imagined, this worked well enough. The insularity of the financial system made regulation a simple matter.

The first changes were forced by a liquidity crisis among the unregulated secondary banks in 1973, which compelled the Bank to organise a £1.2bn "lifeboat" with clearers. The crisis showed the importance of financial institutions that could not be controlled as easily as the first tier of banks.

Five significant aspects of the Bank's supervisory style were formed in the mid 1970s:

- Its primary aim was to establish confidence in the banking system. Banks accepted regulation in the early 1970s "because we convinced them it would be good for them," says one official.
- It opted to rely on banks' accounts rather than carrying out its own audits. This is now defended by Bank officials as a matter of principle, but it started for mundane reasons. It had too little time to train inspectors in the rush to start regulation, and it feared competent ones would be recruited by the banks they inspected.
- It took the view that there were two sorts of banks: solid ones that did not need much supervision; and less trustworthy ones that had to be watched carefully. The 1979 Banking Act enshrined this by allowing the Bank to grant two forms of licence: a full banking licence and a limited "deposit taker" licence.
- It was forced to accept the unwelcome notion that it might be wrong. In spite of pressure from Bank officials to be allowed to remain the sole arbiters of good banking practice, the 1979 act set up an appeal mechanism. The Bank has not been defeated on appeal since, but it remains wary about risking such a blow to its authority.
- It started to set formal requirements for banks' exposure to risk. The Bank established a minimum capital adequacy ratio of 8 per cent. Those it felt unhappy about could be asked to ensure that capital comprised 15 per cent of assets, which are principally loans.

From these foundations, the supervision department has grown to the point where it employs 190 officials. As markets have been deregulated, political and consumer pressures have grown.

This growth in staff has been accompanied by a rise in formal regulatory requirements. The drafting of the 1979 act was largely in the hands of the Bank, and it preserved much of its preferred freedom of manoeuvre behind the scenes. But the JMB rescue brought fierce criticism of the Bank, and a stiffening of its duties.

JMB was a supposedly competent fully licensed bank, yet it lent 115 per cent of its capital to two borrowers. It evaded the net of regulation by making late and inaccurate returns to Bank supervisors. The Bank was forced to take it over, and went on to make a tactical error by transferring £100m of capital to JMB without telling the government.

The ensuing 1987 act also changed some founding principles of regulation. It ended the divide between first-tier and second-tier banks, and put the focus of regulation on protecting depositors. A consequence was that BCCI was upgraded to full banking status automatically.

Since then the Bank has settled into an uneasy compromise between comfortable tradition and the new formality. It has resigned itself to regulating according to the book, while trying to preserve some of its old freedom of manoeuvre. This compromise means the banking establishment and the Bank's critics tend to draw contrasting morals from BCCI.

Many of the critics blame the Bank's fondness for "working with the grain of the market" for upsets such as BCCI. They say the delay in shutting BCCI, in spite of intimations of trouble as far back as the 1970s, is symptomatic of a cautious establishment culture.

Ms Shelagh Heffernan, a senior lecturer in international finance at City University Business School, argues that the Bank should take more fraud inspectors on its visits to banks, and exploit the element of surprise. "If British banks conduct their own branch audits without warning, why does the Bank let them know when it is coming?" she says.

Another policy cited as a symptom of attachment to the past is the Bank's reluctance to act until it is utterly sure something is wrong. It values its air of infallibility too highly to risk it on appeal. According to a senior banker: "There is still a large element of nods and winks in the system, and the Bank would not want to lose that."

The result in the BCCI case was that a bank many people had suspected since was founded was only closed 20 years on. Even within the Bank there is a recognition that the BCCI affair will have to lead to a greater willingness to risk its rulings being overturned on appeal.

Even some bank chairmen have recently said in private that they would support a move towards more adversarial supervision. They say that it could be a useful discipline. Some say they might have lent less to the property sector in the 1980s – now the cause of big losses – if supervisors had challenged their lending policies more forcefully.

Yet others in the banking establishment tend to view BCCI as holding the opposite lesson. Clearing banks were not happy at first about being regulated at all, and some bankers have become more uneasy as supervision has become more onerous. Some bankers chafe at inquiries from, as one puts it, "really quite junior Bank people who seem to get intoxicated with their power, and constantly try to second-guess you".

Such griping does not unduly dismay the Bank. Officials are happy to have some evidence of tension between banks and the Bank as they are often accused of having too cosy a relationship.

Yet the Bank feels sympathy with the idea that regulation has become too inflexible. It would like back the freedom to act informally against problem banks without having to stick to rigid rules.

There is also a fear in banking circles that the Bank is slowly being pushed into removing all the risk from making deposits at banks. "The essence of good regulation is that when there is a choice between protecting the integrity of the system and protecting every single depositor, the system should come first," says a bank official.

Such an argument does not impress many politicians or depositors. Most observers agree that BCCI is likely to shift regulation further towards formality and aggression. "The Bank will inevitably have to become more sceptical, and less chummy," says Mr Richard Dale, professor of banking at Southampton University.

Thus the BCCI scandal is likely to mark a further step away from nods and winks, and towards rules and regulations. The question for the Bank is whether it can finally shed nostalgia for the past. The banks' policeman has not yet finished agonising.

Monitors move to plug international loopholes

By Robert Peston

THE international system of bank regulation failed to put an effective brake on the fraudulent behaviour of Bank of Credit and Commerce International.

Thus one of the Bank of England recommendations for reform following Lord Bingham's report is that the UK Banking Act should be amended to prevent an international bank from exploiting loopholes in the international regulatory system.

The Banking Act is will be reformed so that a bank will not be able to operate in the UK if the Bank is concerned that it cannot obtain sufficient information on the bank's overseas operations.

One of BCCI's consummate skills was in playing regulators in one country off against those in another. These regulators are already taking steps to try to prevent any other bank from using BCCI's devices to avoid proper scrutiny.

BCCI's success in eluding effective supervision stemmed from a separation between its domicile and the location of the bulk of its operations.

Its overall holding company was incorporated in Luxembourg, as was one of its subsidiaries. Prime responsibility for ensuring BCCI was sound and properly managed therefore rested with the Institut Monetaire Luxembourgeois.

In theory, this meant that the IML was responsible for monitoring all BCCI's international operations on a consolidated – or unified – basis.

However, the bulk of BCCI's activities – 98 per cent of them, according to the IML – took place outside Luxembourg. As a result the IML, with its limited resources, found the task of overseeing all these international operations "rather beyond them", according to the Bank.

To IML's credit, in 1985 it notified BCCI's other regulators that it was uncomfortable with the task of supervising this corporate octopus. A college of regulators was established in 1987, on the IML's initiative, so that regulators from eight countries would jointly take responsibility for BCCI.

This college proved to be incapable of monitoring BCCI closely enough. It was not until 1990, when the Bank of England began belatedly to take a close interest in BCCI's activities, that regulators began to learn of the fraud at the bank. Not until early 1991 did the scale of the fraud become apparent.

Regulators now agree that it would have been sensible for the Bank to have taken a closer interest much earlier. More of BCCI's business was in the UK than anywhere else. Only in a technical sense was it domiciled outside the UK.

Over the past year, regulators have been trying to devise a way of closing the loophole that prevented BCCI from being properly supervised. The forum for debate has been the Basle Committee on Banking Supervision, which comprises the supervisory authorities of the Group of 10 leading industrial countries and is chaired by Mr Gerald Corrigan, President of the Federal Reserve Bank of New York.

In July the Corrigan committee issued new minimum standards which its members agreed to apply in the supervision of international banks.

The committee made an unambiguous commitment that international banks would be policed rigorously on a worldwide basis by a single regulator. A bank not supervised in this way would be barred from the territories of signatories to the agreement.

The minimum standards had four main features:

- Any international banking group should be supervised on a "consolidated basis", taking account of its operations anywhere in the world, by a single home country authority.
- To set up branches in a jurisdiction outside its home country, a bank would need regulators' consent in both home and "host" countries.
- A home-country supervisor should have the right to receive information on the international operations of banks under its supervision.
- If a country was unhappy about the international supervision of a bank whose domicile was elsewhere, it could impose "restrictive measures" on branches of that bank on its territory. These could extend to closing down the bank.

These standards will not be easy to implement. Legal impediments, for example, prevent supervisors in some jurisdictions – even the US – from passing information on banks to supervisors elsewhere.

Some regulators are concerned that the reforms do not go quite far enough. There is, for example, no mechanism for ensuring that signatories to the standards implement them.

Meanwhile, the reforms of the Banking Act proposed yesterday by the Bank and the government will give the Bank greater powers than those necessitated by its participation in the Corrigan committee agreement.

The Bank will be able to refuse authorisation to a bank if it sets up branches in countries lacking an effective supervisor, irrespective of the quality of the supervision in the bank's home country.

To prevent a repetition of BCCI, trust and co-operation between regulators is essential. But equally important is the need for individual regulators to make their own judgments about the fitness of a bank – and not pass the buck to other regulators.

Abu Dhabi bitter over bank closure

By Jimmy Burns

ABU DHABI, the majority shareholder in BCCI, said last night it agreed with Lord Justice Bingham that the Bank of England's supervisory role had been deficient, but defended itself from criticism of its role in the BCCI debacle.

In a carefully worded statement, Abu Dhabi said: "The majority shareholders are surprised that, as the principal driving force behind efforts to uncover the fraud in BCCI and then to restructure the bank so that it could operate on a sound and proper legal basis, they have been the subject of criticism ... particularly in the light of their reliance on the regulation of the bank by the Bank of England, and on the audit reports issued by Price Waterhouse."

Privately, Abu Dhabi officials were making it clear that they remain bitter about the way BCCI was closed by the Bank after restructuring negotiations had reached an advanced stage.

They admit that Abu Dhabi had been told in April 1990 by Mr Swaleh Naqvi, the former chief executive of BCCI, that deposits belonging to Sheikh Zayed al Nayan, ruler of Abu Dhabi and president of the United Araba Emirates, had been misappropriated, but say that this did not constitute a reliable statement.

They argue that Mr Naqvi, currently detained in Abu Dhabi along with 17 other former BCCI executives, had previously shown himself to be an unreliable witness, and that his information had been provided verbally and not written.

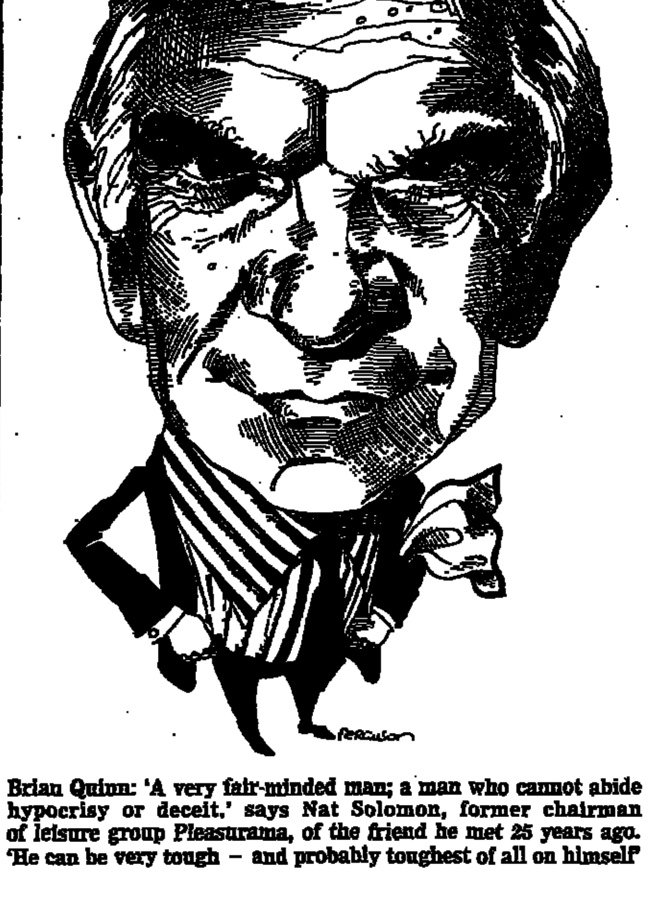
In their evidence to the Bingham inquiry, Abu Dhabi and its solicitors, Simmons & Simmons, have argued that there is no evidence that the Bank would have behaved differently if it had received details of the Naqvi interview.

They also cited the pressure the Emirate faced during the Gulf War as a reason for the alleged lack of communication with the regulatory authorities.

In recent weeks British Foreign Office officials have been working behind the scenes to offset any potential diplomatic fall-out from the Bingham report.

But the strength of criticism contained in the report could have a negative impact on crucial defence contracts that the UK is hoping to sign with Abu Dhabi.

Defence officials say UK companies are currently competing with US and French companies for contracts worth millions of dollars for the supply of military hardware such as tanks and missiles.



Brian Quinn: 'A very fair-minded man; a man who cannot abide hypocrisy or deceit,' says Nat Solomon, former chairman of leisure group Pleasurama, of the friend he met 25 years ago. 'He can be very tough – and probably toughest of all on himself'

Outsider on the inside

John Gapper and **Bethan Hutton** profile hard-fighting Brian Quinn

MR BRIAN QUINN, executive director for banking supervision at the Bank of England, is accustomed to struggle. But his brush with Bank of Credit and Commerce International has propelled him into the hardest fight of his career.

Mr Quinn took the decision to shut down BCCI, and it was he who chose not to do so earlier. Were it not for his unshakable conviction that he did the right thing, both practically and morally, he would probably have resigned yesterday. It is still not clear that he and his deputy, Mr Roger Barnes, can ride out the turmoil.

Silver-haired Mr Quinn, the son of a Glasgow shipyard worker, has none of the arrogance that might be expected from one in his position: his manner is friendly and affable. Yet visitors to his office are struck by his alert, slightly tense air as he pores over papers or discusses a bank's performance.

Bankers speak with one voice about Mr Quinn. All of them smile first, with affection and amusement. "Tough," says one; "A real Glasgow street fighter," says another. Doubts emerge only after a discreet pause. "Does he have quite the stature?" one finally asks.

If stature means the assumption of natural privilege from an early age, the answer is no. Mr Quinn penetrated the inner circle of the English establishment from outside. He managed it because of two character traits. One is a combination of meritocratic qualities: intelligence, hard work, clarity and energy.

"He is very, very cautious," says Mr Rattan Bhatia, a friend from the International Monetary Fund. "Cautious and far-sighted. Where you and I look at four sides of a problem, he finds a fifth one."

The second facet is a strong sense of probity. Mr Quinn is a practising Roman Catholic, though he has questioned aspects of church doctrine. He has the Catholic's faith that wrong-doing should be punished and virtue rewarded – and that both will happen.

It is this combination that has led Mr Quinn to remain in his job. Friends attest that since the BCCI scandal broke and he could speak about it, he has never wavered from believing that he acted correctly.

Mr Quinn moved on from his Scots working-class roots when he took a degree in economics at Glasgow University, then a masters degree at Manchester and finally a doctorate at Cornell University. He moved to the International Monetary Fund's Africa department as an economist in 1964, and with his teacher wife Mary spent two years on secondment in Sierra Leone. They returned to London in 1970, when he joined the Bank's economic division.

After a seamless rise through the Bank, he became the head of banking supervision in 1982. It was a rough time to start. Just as he was starting to settle down, the Johnson Matthey Bankers storm broke.

Mr Quinn survived the subsequent outcry, and moved in 1988 to his current role. The job is a curious mixture of elevated intellectual analysis and hard-nosed practicality. His responsibilities include everything from planning the future framework of international supervision to tackling senior managers of domestic banks about ill-advised policy.

The pity of BCCI for Mr Quinn is that he finally collided with a bank that proved too tough and deceitful for him to fight.

BCCI problems not spotted early enough . . .

Bingham warns against the case being viewed in isolation, pointing out the considerable workload of supervisors trying to halt the frauds. **Richard Waters** reports

"THE history of BCCI's supervision by all the UK authorities is a long story, extending over 19 years. It is also a complex story, involving *a number of different authorities* and parties in the UK and abroad. And it is a very dense story, because the supervisory attention paid to BCCi over the years was very great. It is not a story which readily lends itself to simple and categorical judgments."

Lord Justice Bingham's introduction to his own report into the BCCI collapse may warn against jumping to simple conclusions, but the overall conclusions of his work seem clear: the Bank of England failed to take serious note of the BCCI problem early enough, and senior officials were often kept in the dark on the debacle that was developing.

The report warns also warns against viewing the BCCI case in isolation. "The supervisory problems which BCCI presented were tackled by busy men and women, often overstretched and with other problems competing for their attention. Reading the story of BCCI alone may give a misleading impression that these events occurred in isolation. Of course they did not: they were to the supervisors part of an often very considerable workload . . . The systematic frauds now thought to have been practised in BCCI were on a scale which had never been known before."

1972-79

There was little reason to resist BCCI's arrival in the London in 1972.

"Abedi himself appeared to be an experienced and successful banker . . . It would not have been consistent with the City's role as a dynamic financial centre to have resisted entry by this apparently promising newcomer." The backing of Bank of America, which owned 25 per cent of the new bank, was also seen as a strong comfort.

However, constant – though unsubstantiated – rumours about the bank's probity and its unusual structure led in time for a proposal to incorporate the bank in the UK. It was only then – in 1978 – that the Bank discovered the worrying news that Bank of America was planning to pull out of BCCI.

"It revealed its intention, over a period, to withdraw from BCCI," says the report. "The reasons it gave were commercial, and it was at pains to disavow concern about BCCI's business as a cause. But the loss of this prestigious backer significantly undermined the Bank's confidence in BCCI, and Abedi's failure to reveal this important development to the Bank (or the LBC [the Luxemburg regulators]) confirmed the Bank in its suspicion that he was a man whose frankness could not be relied on."

Under the 1979 Banking Act, the Bank was faced for the first time with the need to licence BCCI in the UK. It was aware of several adverse factors. "The ownership of the group was not clear. The largest bloc of shares was owned by a Cayman company, ICIC Overseas, owned by another Cayman company, ICIC Holdings. But despite considerable probing by the Bank, satisfactory details of the ownership of ICIC Holdings were never forthcoming. It was suspected that BCCI was financing the purchase of a considerable tranche of its own shares."

Other factors included:

- "The general balance of market opinion, at home and abroad, was adverse, ranging from wariness of the unknown through unease to outright (but unsubstantiated) hostility."
- "The group was dominated by and excessively dependent upon the personality and skills of a single man, Abedi. He could not be trusted to disclose unwelcome news to the Bank or any other supervisor."
- "The group's operations were characterised by ostentatious expenditure and lavish entertainment."

A further consideration, says Lord Justice Bingham, was whether the bank should have been regarded as having its main centre of activities in the UK – a question the Bank never addressed. "In my view the evidence is clear that London was by 1979-80, if not much earlier, the effective head office of . . . the group."

The Bank did not face these questions, and therefore did not consider it necessary to consider granting the bank a licence. That, says the report, could have been a crucial moment in the bank's history. "Refusal of a licence would, in all probability, have caused loss to depositors and other creditors and exposed the Bank to accusations of racial prejudice, xenophobia and so on. In the real world such considerations are bound to intrude. But in the real world the choice did not lie simply between the grant and refusal of a licence."

"Had Abedi been denied the use of a banking name, as he should have been, it would have been a bitter blow and would have been a strong additional inducement to do all in his power to meet the Bank's supervisory requirements with a view to obtaining recognition, if not at once, at least in the foreseeable future.

1980-88

By 1982, Mr Brian Gent, a deputy head of banking supervision, had come to the conclusion that the only way to supervise BCCI properly would be to force it to incorporate in the UK and regulate the whole group from there. "The thrust of his argument was that no supervisory authority other than the Bank could reasonably be expected to take on the supervision of BCCI and that the Bank should do so, rather than let a large international group continue in business on a largely unsupervised basis."

However, by the time this plan had been developed and put to BCCI in 1984, it was quickly squashed. "Abedi, usually compliant (at least overtly) and ingratiating, was on this occasion truculent and angry. The Bank's initiative, under consideration for nearly two years, thus fell at the first fence."

"It is true that there were no grounds for fearing imminent catastrophe. There were, indeed, no substantiated grounds for immediate apprehension. But it was appreciated that no one had a clear overall view of the group's operations. There was concern about what might be happening out of sight. And it was understood that if the worst were to happen it would be citizens of the UK and elsewhere, not Luxembourg, who would be the biggest losers. If a sail has to be changed, it is better to change it before, not after, a storm has blown up. It is unfortunate that this promising initiative was so quickly snuffed out."

The Bank's failure to take a stronger line with Mr Abedi prompts some concern. "Given the potential importance of the end in view, I find it surprising that no effort was made to bring the Bank's traditional authority to bear on Abedi to seek to secure his compliance. . . . But as matters appeared at the time, the Bank was, I think, rather easily deterred."

By 1985, however, the Bank no longer favoured the idea of supervising the whole of BCCI. "I find it harder to understand why consolidated supervision by the Bank, endorsed at the highest levels of the Bank not so long before, was now so firmly rejected. The answer is perhaps to be found in Johnson Matthey Bankers. In the aftermath of that episode substantial additional demands were made on the Bank's supervisory resources and the Bank may well have been wary of undertaking new and risky assignments which, if the worst happened, would expose it to renewed criticism.

Concerns were quick to resurface. Late in 1985, Price Waterhouse was brought in to investigate large losses in BCCI's treasury division. It identified losses of $285m.

The UK authorities' reaction: encourage BCCI to move its treasury operations to the Gulf region. "The central treasury losses also caused the Bank to back away from the scheme for local incorporation. That was an understandable decision, but I think a questionable one. It was understandable, because the central treasury losses episode underlined the difficulty of supervising BCCI and reinforced the Bank's distrust of the management's willingness to disclose bad news. It was questionable, because supervision is not a reward for good behaviour but a safeguard against bad, and this episode should have strengthened the Bank's existing view that closer and better supervision was called for."

Shifting problems overseas was not "an adequate supervisory response," says Lord Justice Bingham. "The place for a refractory pupil is in the front row, not in a dark corner at the back. The central treasury's recent history did not suggest that supervision was unnecessary, and the UAE Central Bank (which only heard of the move some time later) was not, as yet, well-equipped to provide it."

In the following year, Luxembourg made a direct appeal to the Mr Leigh-Pemberton for the Bank to take over worldwide supervision of BCCI. Mr Leigh Pemberton declined. "The clear balance of opinion in the Bank, particularly among the most senior supervisors, was strongly against the Bank undertaking this responsibility. The view was put that it was Luxembourg's problem and Luxembourg had to solve it. That was only partly true. Certainly Luxembourg had a problem, because SA was registered and licensed there and the IML was the lead supervisor under the Concordat. But it was also the Bank's problem because BCCI's effective base (apart from the central treasury) was in the UK, it was widely perceived as a British bank and UK depositors stood to lose much more than those of Luxembourg if things went wrong." The Bank of England's reservations about taking on the job were understandable, though. "Had the Bank accepted the burden of supervising the worldwide operations of a BCCI incorporated and based in the UK, its task would indeed have been formidable. The group traded in over 70 countries, in many of which supervision was weak or non-existent. In the absence of trust, a more intrusive style of supervision than the Bank ordinarily practised would have been needed. The cost would have been great. The demands on trained supervisory personnel would have been very difficult to meet. But this was by far the most hopeful solution, possibly the only hopeful solution."

By 1987, another idea was proposed by the Luxembourg authorities: a network of locally incorporated subsidiaries around the world. Rodney Galpin, then in charge of banking supervision, resisted this idea, concerned that "supervision of a UK subsidiary was likely to lead the Bank into the role of lead supervisor which it sought to avoid." Also: "The Bank doubted whether it could be satisfied (as required before an institution could be authorised under the 1987 Act) that it would be run prudently and with integrity, although the Bank could continue to rely on [the Luxemburg regulators] assurances in respect of SA. He offered the Bank's co-operation by intensifying its supervision of UK branches of SA, sharing information and discussing changes in the central role of London in the group."

This response, says the report, was inadquate. "Even allowing for the fact that Jaans and Galpin were engaged, however politely, in a negotiation, I find Galpin's reply disappointing. There is no doubt of the Bank's intense desire at this time to avoid being drawn into a leading supervisory role. But that risk very largely arose because of the leading position occupied by the UK in the group, however unwelcome that position might be (and was). The commercial realities would not be changed by pretending they did not exist."

Eventually, banking regulators agreed to set up a "college" arrangement in which they would co-operate to oversea BCCI. "The college was seen by the supervisors and PW [Price Waterhouse] as an advance on the clearly unsatisfactory supervisory regime then in force," says Lord Justice Bingham. "But it was a second-best solution. No one thought it likely to be as effective as a single, efficient consolidated supervisor, and the establishment of the college did not of itself do anything to tackle the root of the problem, which lay in the structure of the group."

By 1988, accusations of fraud were becoming stronger: the City of London Fraud Squad was investigating an aspect of the bank, and diplomatic sources passed on concern reported by a chartered accountant working in the Gulf. Although both were "serious and specific," there was no follow-up.

"In view of the critical opinions widely held about BCCI and the considerable detail which the police supplied, I find it hard to understand the Bank's apparent lack of interest in establishing the truth. In the second case, the incident occurred outside the UK and had nothing to do with the UK branches of . . . the group. But it appeared to have a direct bearing on the ownership of the group and the integrity of its management. It may be that the Bank discounted the reliability of this report because of other suggestions it contained. If so, I think, its source justified more serious treatment, and it is indisputable that follow-up was possible. In this instance also I find it hard to understand how any supervisory official could think it right to leave such allegations unexplored."

"On 9 February 1988, while in Pakistan, Abedi had a heart attack. Two weeks later he suffered a second, more serious attack. A heart specialist flew out to examine him and diagnosed serious damage. Shortly afterwards he was flown to the UK and a heart transplant operation was performed at Harefield Hospital on 9 March 1988. After a long stay in hospital he was followed up as an out-patient until December 1990.

"With the consent of Mrs Abedi the inquiry obtained a report from Abedi's UK surgeons. This disclosed severe neurological damage sustained before the operation. Although this report was based on an examination about a year earlier, the surgeons did not expect major improvement and their report is consistent with accounts given by those who have seen him recently."

Lord Justice Bingham's views on the founder and guiding light behind of BCCI cast him in a more generous light than some other commentators, principally for his ambition of opening a bank to benefit the developing world. "There was nobility in this ideal which, by his ambition, energy and flair, he did much to realise. The vices which brought BCCI down should not obscure the virtues which it showed in some places and which, perhaps, inspired its creation."

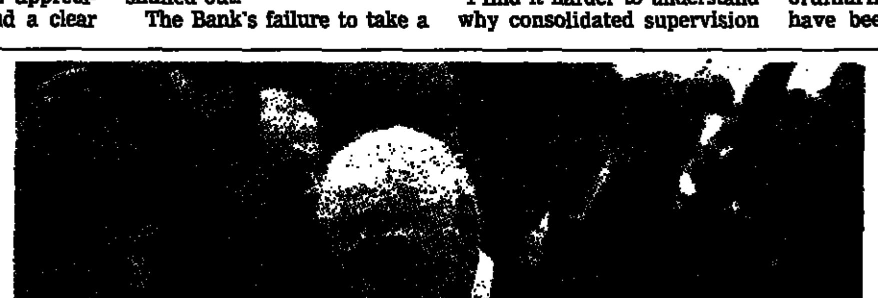
"While my impressions of Abedi are inevitably secondhand, I have had the opportunity of speaking to many who knew him well and had dealings with him. He remains something of an enigma," says Bingham. "His hold over the staff, particularly the Pakistani staff, of BCCI was almost mesmeric, and he very favourably impressed a number of seasoned politicians. But there were others who recoiled. His oft-expounded and much- publicised semi-mystical philosophy, seen by many in BCCI as an inspiration, was viewed by others as tedious rubbish. While preaching the need for humility, he was thought by some who knew him well to be a man of overweening arrogance and considerable personal vanity. He combined his advocacy of the poor and oppressed with a personal life of flamboyant opulence and a driving ambition for power. If he is to be given credit for his ideals, he is to be debited with an inordinate endowment of low cunning, manifested in many ways and not least in his assiduous cultivation of those who by virtue of their wealth or position could be used to his advantage. "The conviction of BCCI employees on money-laundering charges in the US in the late 1980s brought some of the deepest soul-searching among regulators, with the Bank of England for a while imposing a daily reporting requirement on BCCI to detect any run on the bank. Bingham himself remains concludes, though, that there is no evidence that senior executives were involved in the crime.

"It has never (to my know-

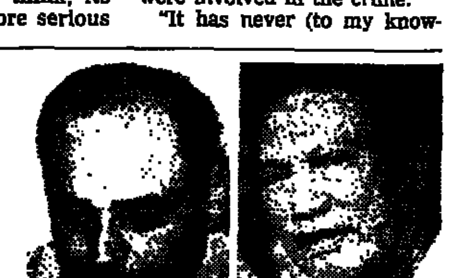
Rodney Galpin (bottom) opposed locally incorporated units. Lord Callaghan (top) wanted UK relocation

How the years of fraud unfolded

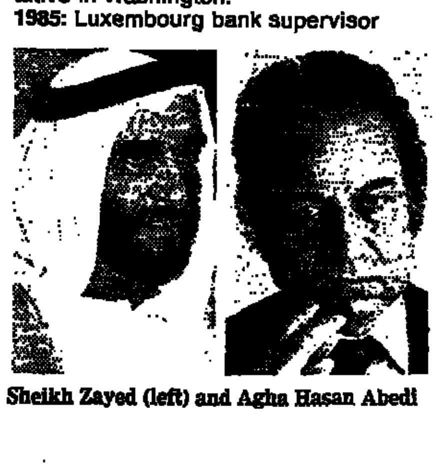
1972: Start-up of Agha Hasan Abedi's dream to create a world-class bank *serving Third World interests*. His Bank of Credit and Commerce International begins to operate in Abu Dhabi and Karachi with total capital of $2.5m. Part of this comes from Bank of America and the rest from Arab stockholders. Sheikh Zayed of Abu Dhabi provides initial backing. Early customers include Gulf Shipping Lines run by the Gokal family. BCCI Holdings is established in Luxembourg.
1973: Oil crisis. BCCI expands. It opens branches in four Gulf states and in mainly Asian-immigrant areas of UK (Bradford, Birmingham, Wolverhampton, Southall).
1974: Further branches open in London, focusing mainly on rich Arab clientele.
1975: BCCI registered in Cayman Islands.
1976: BCCI moves central offices to London. Branches in UK rise to double figures, with plans for further expansion announced. New York regulators turn down BCCI's attempt to buy Chelsea National Bank. Bank of America official Tony Tucher writes internal *memo expressing concern over general* lack of control of BCCI's activities.
1977: Abedi touts BCCI as world's fastest-growing bank. Total assets have grown from $200m in 1973 to $2.2bn. Over the same period, branches have grown from 19 in five countries to 146 in 32 countries – including 45 branches in the UK. Abedi, keen to expand in US, considers *acquiring National Bank of Georgia*, but cannot do so because of BCCI's links with Bank of America.
Bert Lance, Jimmy Carter's former budget director, and other NBG shareholders sell stock in NBG to Saudi Arabian businessman Ghaith Pharaon.
1978: Bank of America discovers problems with BCCI loan portfolio, and sells stock in BCCI. Clark Clifford, former US defence secretary and former chairman of First American Bankshares, taken on as BCCI US adviser. BCCI nominees acquire shares in *Financial General Bancshares*. Bank of England asks BCCI to freeze its growth.
1979: Ernst & Young expresses concern in letter that BCCI has two auditors.
1980: BCCI opens in Panama. Gulf shipping accounts now so badly in default that BCCI starts plundering other accounts to conceal losses. BCCI's nominees acquire control of FGB.
1981: Amjad Awan appointed to BCCI Panama. Manuel Noriega, describing *himself as head of Panamanian intelligence*, opens an account with the bank.
1982: Abu Nidal terrorist organisation begins to channel funds through BCCI.
1983: Ricardo Bilonick of Medellin drugs cartel opens account with BCCI *Panama*.
1984: Awan appointed BCCI representative in Washington.
1985: Luxembourg bank supervisor tries unsuccessfully to get Bank of England to assume full responsibility for BCCI.
1986: BCCI's treasury department loses very large sum of money in irregular transactions, and plunders other accounts to cover up. Abedi takes $150m out of the staff fund to plug gap in the balance sheet. Khalid *Salem bin Mahfouz and his brothers* acquire 10 per cent of BCCI stock.
1987: Basle supervisors from eight countries form a college to oversee BCCI. US Senate subcommittee led by Senator John Kerry begins investigation into BCCI's connections with Noriega. *Abedi has heart operation.* Swaleh Naqvi, Abedi's number two, takes *over BCCI* on acting basis. Price Waterhouse appointed as single auditor.
1988: Noriega, leaders of Medellin cartel, and assorted drug traffickers indicted on drug and conspiracy charges in Florida; Awan and 10 other BCCI employees indicted on money laundering charges in Florida. Those indicted include BCCI Holdings in Luxembourg, BCCI in Cayman Islands, Banco de Credito y Comercio de Colombia, and Capcom Financial Services.
1989: Price Waterhouse audit shows *extensive loans from BCCI to Kamal* Adham and other CCAH shareholders. Information passed on by college of regulators to US Federal Reserve.
1990:
Spring: *Price Waterhouse uncovers* "false or deceitful transactions". But regulators approve a bail-out by Abu Dhabi to save BCCI from what they consider to be the graver threat of collapse. Sheik Zayed pumps in $1bn. Naqvi said to *"confess" to Abu Dhabi.*
May: Control of BCCI moves to Abu Dhabi. BCCI restructured, hundreds of employees laid off, 20 branches closed in UK, some other offices around the world closed. Abu Dhabi starts own investigation into BCCI. *Naqvi and Abedi resign from BCCI.*
November: Florida court sentences Awan to 12 years' imprisonment and a fine of $100,000 for his role in money-laundering operation. Other BCCI *employees given sentences ranging* from seven to 12 years. Auditors seize Naqvi's private files detailing fraud.
December: Investigation of BCCI turns up large sums of unrecorded deposits.
1991
January: Bank of England told of latest findings.
March: Bank of England orders report from Price Waterhouse under Section 41 of the Banking Act to determine *whether BCCI should be closed.*
June: PW delivers Section 41 report detailing "probably one of the most complex deceptions in banking history". Regulators decide to shut BCCI.
July 5: Shutdown of BCCI worldwide.
July 19: UK government announces *inquiry into BCCI affair.*
July 29: US grand jury indictment alleging worldwide scheme to defraud spanning 20 years. Charges levelled against Abedi, Naqvi, and five corporate entities within BCCI group.
September 5: US grand jury indicts six BCCI officials, *including Naqvi* and member of Medellin cartel, on charges of laundering drug money. Capcom Financial Services also named. Syed Ali Akbar, *former head* of BCCI's treasury department, arrested in France.
September 8: *Former* BCCI employees, including Naqvi, detained in Abu Dhabi.
September 18: Fed announces $37m fine against *Pharaon* for acting as BCCI front in US and freezes his assets.
November 15: Federal grand jury *charges Abedi, Pharaon, and Naqvi* with secretly taking over a California bank and fraudulent dealings in the shares of a Florida-based financial institution.
December: BCCI liquidators in US agree to plead guilty on BCCI's behalf to fraud, *racketeering, and money* laundering. $550m of BCCI US assets are forfeited as part of settlement.
1992:
March 12: Touche Ross issues writ claiming damages against Price Waterhouse and Ernst & Young, the other of BCCI's *original auditors.*
June 12: UK High Court sanctions $1.7bn compensation settlement for creditors negotiated with Abu Dhabi.
July 24: Plea-bargaining agreement reached in US with Adham. He agrees to pay $105m in costs and fines but *is not indicted. Agrees to give evidence* if called as witness.
July 29: Charges in US brought against Clifford, Abedi, Naqvi, and Pharaon alleging "sophisticated and corrupt criminal enterprise" that bribed and cheated its way across the world to gain power and money.
October 1: Four-year US Senate subcommittee investigation into BCCI by Senator Kerry *concludes by accusing* Bank of England of "wholly inadequate" regulation of BCCI.



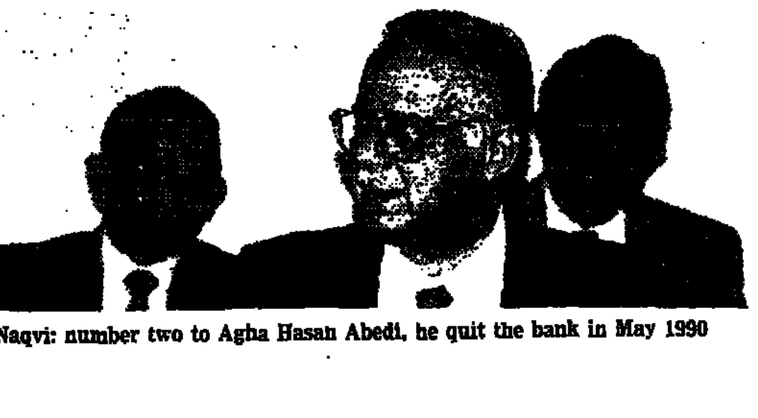
Criminal charges: Clark Clifford, former US defence secretary and BCCI US adviser



Clients: Abu Nidal (left) and Manuel Noriega



Sheikh Zayed (left) and Agha Hasan Abedi



Swaleh Naqvi: number two to Agha Hasan Abedi, he quit the bank in May 1990

BINGHAM REPORT

UK NEWS: Investigation into the BCCI scandal

. . . officials in the dark as debacle developed

ledge) been suggested that the directors or controllers of SA were party to the money-laundering conspiracy. Nor is there evidence known to me that senior managers were implicated. Those indicted were not managers of SA within the statutory definition, as the Bank rightly held.

"But the Schedule [to the Banking Act] makes clear that fitness and properness involves not only probity but also competence, soundness of judgment and diligence. Elsewhere, the requirement of prudence is stated in general terms. There were, as it seems to me, questions to be asked about the judgment and competence of the board and management when BCCI bought its minority interest in BCC Colombia in 1983 and its majority interest in 1985.

"The likelihood of involvement in handling the proceeds of drug-trafficking could scarcely have eluded a competent and diligent banker contemplating such an investment, particularly if he had branches in Panama and agencies in Florida. While it is true that money-laundering became an increasingly high-profile subject throughout the 1980s, it was not an activity in which a banker of probity would knowingly have engaged in 1983.

"Whether BCCI failed to recognise the risk, or recognised and discounted it, or recognised and accepted it, or recognised and took what were thought to be adequate precautions, I do not know. This inquiry was never made. I think it was a pertinent inquiry, to which a rigorous supervisor would have wished to know the answer."

1989

By the end of the 1980s, BCCI's structure had once again returned to the top of the supervisors' agenda and was the subject of discussion between Lord Callaghan, the former Labour prime minister, and the governor of the Bank of England. "Partly at least as a result of approaches made to the Bank by Lord Callaghan a little earlier, fresh thought was given to structural and supervisory questions," says the report.

"When Abedi was unable, through illness, to continue running the group, he shared his thoughts with Lord Callaghan, who also on occasion acted as an unofficial adviser to the group. Lord Callaghan came to feel that the group had somewhat lost its direction in the absence of Abedi's leadership and that its best future lay (once the Tampa prosecution was completed) in relocation of the group in the UK, subject to the supervision of the Bank. A meeting was arranged with the governor on May 25 1989 at which Lord Callaghan advanced this proposal." Once again, however, due in part to a lack of agreement among bank executives over the best way to proceed, nothing was done.

Meanwhile, events were moving swiftly towards the final closure of the group. Price Waterhouse, which had become sole group auditors of the bank, were approached by an employee of the bank who claimed evidence of fraud. The man, not named in the Bingham report, seems to have precipitated the events that led to the closure.

"The informant was a senior officer of BCCI outside the UK with access to good information. To protect his personal safety his identity must be withheld, although it has been made known in strict confidence to the Inquiry. He began to give information to a PW partner ("P") in October 1989.

"The informant was not easy to assess. He tended to speak in riddles, to make suggestions about areas to be investigated, to drop hints. P followed up the leads and hints he was given. Some led, or appeared to lead, nowhere. But over a period P increasingly came to regard the informant as fundamentally honest and accurate.

"P's partners, who did not enjoy P's direct relationship with the informant, were more sceptical, and took longer to be convinced of the Informant's reliability and good faith. There was accordingly a period during which, within PW, there was some doubt about the reliability of the Informant's often rather enigmatic communications.

By February 1990, Price Waterhouse felt able to go to the Bank to discuss their growing fears. "In communicating with the Bank in this way, [Tim] Hoult and [Christopher] Cowan felt they were taking an exceptional step. They went to the Bank and entered separately to avoid any risk of being seen by any representative of BCCI.

"They agreed with Barnes, who was alone, that because of the extreme secrecy of the meeting no note should be taken. It was a short meeting and recollections of it differ. I am, however, sure that Hoult communicated PW's doubts about the probity of BCCI, giving some of their grounds . . . Barnes asked whether they considered [Swaleh] Naqvi [BCCI's chief executive] to be fundamentally honest.

"Hoult said that Cowan had very serious doubts about Naqvi's honesty but he himself was as yet unconvinced of his dishonesty. Barnes' recollection, that PW came to tell him that the audit was not proceeding too smoothly and that they were having difficulty getting the information they needed from Naqvi, is in my view mistaken, although he thinks that if the Informant had been mentioned he would have remembered it.

"I find it surprising that this meeting made so little impression on Barnes," Bingham concludes. "After years of criticism, and after Tampa, here was a suggestion of dishonesty from an unimpeachable source pointing at the chief executive of the group. Barnes' impassivity on receiving this message seems to me to show a rooted unwillingness to believe ill of BCCI."

A second meeting with Barnes was arranged for March 2nd. And although Barnes reported five days later to the Bank's board of banking supervision, "he gave the Board no hint of PW's communication. He judged it inappropriate to tell the Board of what were no more than suspicions. While respecting his motives, I consider this a misjudgment. This was, after all, PW's second visit, and no one but he knew of the first.

"Even unsubstantiated suspicions from such a source are of significance. One of the results was that the Board of Banking Supervision, and the Governors, were not at this point alerted to serious doubts about the integrity of the chief executive of the group.

In April 1990, PW produced its most damaging report on the group so far, prompting another visit by Hoult and Cowan to the Bank "to deliver a copy." However, what followed was a a catalogue of bad communication: "Barnes declined to receive a copy because of the Bank's delicate position vis-a-vis the IML. So Hoult went through the salient points in the report.

"It is, I think, clear from the only note of the meeting (which was made by Miss Jones and which, though not comprehensive, was substantially accurate) that Hoult concentrated on the immediate financial crisis and the need for very substantial shareholder support.

"He mentioned the CCAH loans, '"minor bits and pieces" warranting a provision of $50 million, the two borrowers mentioned above, ICIC and the $300 million of loans to offshore companies for which the Gokals had agreed to accept responsibility.

"But it seems he made no express reference to fraud or malpractice of any kind, and he went into little detail save, to some extent, of the Gokal loans. It is surprising, and unfortunate, that the Bank's attention was not expressly drawn to the fitness and properness implications of the report."

Despite this, the PW report was more widely circulated in the Bank later in the month. PW "accordingly assumed that the inferences to be drawn from the report, as they thought clearly, would be drawn by the Bank. This was not what happened.

"Although Beverly read the report and found it a '"shock" and a '"devastating report to read"', it is questionable whether he drew from it any inference of deception or malpractice. Barnes, if he read the report at the time at all, read it briskly and understood it to concentrate on the financial problem outlined by PW on 18 April 1990.

"Quinn saw the report at the time and appreciated it disclosed a serious financial crisis, but may not have read the whole of the text very carefully and the report raised no real doubt in his mind about the integrity of Naqvi and Abedi."

PW's report failed to set alarm bells ringing at all levels of the Bank. "In April 1990 (and for a number of months afterwards) the Governors, the Board of Banking Supervision, Quinn and Barnes were unaware of the serious doubt thrown by PW on the integrity of the bank's most senior management."

Abu Dhabi As BCCI's problems became more serious, it was forced to rely more heavily on the Gulf state whose interests had become its major shareholder: Abu Dhabi. The result was that Abu Dhabi came to learn of problems at

Trevor Humphries

Brought to account: in July 1991, BCCI was shut down worldwide and the UK government announced an inquiry into the affair

BCCI before the Bank of PW, says Bingham.

"When, in the spring of 1990, it was plain that BCCI faced financial disaster, Naqvi appealed to the Abu Dhabi shareholders to rescue the group. He admitted to them that the group had made large losses. An attempt to staunch these losses by Central Treasury dealing had, he said, led to even greater losses.

"To try and prop up the bank he and Abedi had misappropriated funds amounting to $2.2 billion from the Ruling Family's portfolio which they managed. It seems clear that this misappropriation was admitted by Naqvi, and understood by the Abu Dhabi shareholders, to have been dishonest. But Naqvi pleaded that BCCI was basically a sound and profitable enterprise and begged the Abu Dhabi shareholders to support it."

Bingham warns that his report has been produced without substantial input from Abu Dhabi. Naqvi "is under restraint in Abu Dhabi," while "Mazrui's own understanding is not easy to assess." But he adds: "The Abu Dhabi authorities are not, however, untutored innocents in the world of international finance, and I cannot think they were as greatly deceived as they suggest.

"Unhappily, the Abu Dhabi shareholders did not at the same time communicate to either the supervisors or the auditors even the outline of what Naqvi had revealed to them. It was to be nine months before the misuse of the Ruling Family's portfolio became known to PW and the Bank.

"I have to regard this as a serious and potentially influential omission, even if the Abu Dhabi shareholders' understanding was as they say. They point out (quite correctly) that Naqvi's estimates were unverified and unsubstantiated, and suggest that they viewed them with some scepticism. I find this unconvincing."

The final year of BCCI's existence could have been cut short had Abu Dhabi acted differently: "Had the full facts known to them been communicated to PW and the supervisors in April 1990, it seems likely either that all concerned would have embarked on a group restructuring programme with a much fuller investigation and understanding of the malpractice which had existed in the past and of the level of support required, or that the bank would have been closed or would have collapsed there and then."

The blame was not all on Abu Dhabi's side: banking regulators themselves failed to encourage better communication. "It is... unfortunate in retrospect that the supervisors did not, at this critical juncture in BCCI's affairs, seize the opportunity to establish direct personal contact with the top levels of the Abu Dhabi Government: had senior representatives of the Bank and the IML succeeded in discussing the existing situation and the future at this stage, all involved might have had a clearer understanding of the others' position over the months ahead and it is to be hoped that more detail of Naqvi's revelations would have emerged."

Communication was not helped by the Bank's traditional ways of going about its business. For "presentational" reasons, the banking supervisors did not want to travel themselves to Abu Dhabi in the summer of 1990. "I think this was unfortunate. City tradition is that the world attends upon the Bank. This is, no doubt, a beneficial tradition. But the Bank was dealing with a proud and independent Government not reared in this tradition and in the throes of a serious local crisis. There was an urgent need, in the interests of UK and other depositors, to impress on the Government the finality of the IML ultimatum and the necessity to find a solution.

Meanwhile, more evidence revealed to PW by senior BCCI employees showed that the size of the whole in the bank was even bigger than they had feared. "PW were shocked to learn of these new facts, because of the figures involved, because Iqbal had apparently not been free to make the revelations before and because of the deception apparently involved.

PW once more feared for the survival of the bank and thought it necessary to see the majority shareholders again urgently. So Hoult and Cowan returned to Abu Dhabi on 29 September 1990. They told the Bank they were going, but not of the reason for the visit beyond referring to financial problems: asked for a ball-park figure, they thought that the shortfall on certain assets might be $1.5bn, which would be needed in the form of new capital, the take-out of certain loans by the shareholders, provisions and guarantees."

Again, the Bank was not told of fears about deception at the bank. A lack of communication meant that "both PW and the Bank were restricted in their understanding of the situation . . . The majority shareholders had not told PW or the Bank of Naqvi's revelations, even as to the misuse of the Ruling Family's portfolio. PW for their part had not told the Bank of Habroush's remarks about manipulation of Gokal accounts, the ownership of First American by BCCI nominees and the failure of BCCI to make a profit... Nor had they mentioned Iqbal's remarks on 26 September and the fact that he had not apparently been free to make these revelations before."

October 1990

In October, PW produced their latest in a series of damning reports on the bank, leading eventually to Naqvi's departure. Yet even this failed to produce a strong reaction from the Bank of England.

"Bartlett, who read the report, was understandably struck by the serious financial situation it disclosed. He did not at the time read the reference to collusion with major customers to misstate or disguise the underlying purpose of significant transactions as '"a very strong suggestion of dishonesty", although with the benefit of hindsight he now does.

"He did not wonder why the recorded shareholders of CCAH were unlikely to accept liability for any shortfall, nor why the $514m loan had been placed as reported. This report was not widely circulated within the Bank. Neither Barnes nor Quinn saw it until after the closure of the bank in July 1991."

The Bank of England was concerned mainly about the financial predicament of the bank. The implications about the behaviour of senior executives did not appear uppermost in its mind. Bingham says: "I find it hard to understand why the fitness and properness aspects of this report made so little impact on the minds of those who did read it in the Bank. For any bank to be accused of colluding with customers to misstate or disguise the underlying purpose of significant transactions should be a very serious thing to a supervisor responsible for monitoring compliance with the statutory criteria.

"In failing to appreciate and react to the implications of this report the Bank was in my view at fault. But it was not solely at fault. The report did not convey, in a blunt and unmistakable way, the full extent of PW's concerns following their conversations with Habroush and Iqbal. Nor had the majority shareholders revealed the full effect of Naqvi's revelations in April."

By early in 1991, the picture developing before the auditors was beginning to look even worse. Naqvi revealed for the first time the existence of substantial fictitious loans.

"PW were conscious that Naqvi's revelations had not been verified by detailed investigation and they were sceptical of his assumption of sole responsibility. But they could see no reason why he should make damaging admissions which were untrue and much of what he said corroborated what Iqbal had said earlier.

"They were inclined to regard Naqvi's disclosures as, in all probability, a fairly comprehensive account of the fraud practised in the bank. They did not report this conversation to the Bank . . . Again, I find this puzzling and think the omission was very unfortunate."

In April, PW conveyed more of their concerns to the Bank. Yet the reaction was inadequate, says Bingham: "Although . . . Bartlett was much concerned at the size of the financial support which this conversation showed to be necessary, the reported theft of very large sums by Abedi and Naqvi from the Ruling Family of Abu Dhabi caused remarkably little stir in the Bank.

"Barnes, to whom the note of this meeting was copied, did not attach great importance to this aspect of it because it related to past events and former management who, however disgracefully they had behaved, had no place in the future plans of the group. It was a matter between the shareholders and the former management.

"Quinn confirmed that no thought was given to revocation at this time since SA was regarded as effectively dead anyway. It was doubtless for reasons of this kind that no indication of this sizeable theft was made to the Board of Banking Supervision and the Governors until after the closure of the bank. I consider this reaction strange."

Even as late as April, less than three months before the closure, the Bank was not particularly worried about BCCI's future, believing as it did that Abu Dhabi support assured the bank's future.

Bingham says: "It is not easy in retrospect to understand how the Bank and PW could in early April 1991 have been other than pessimistic about the future. The IML deadline had three months to run. The financial package had not been finally signed, so the group was still technically insolvent. The accounts, already overdue, would be still further delayed and would show huge losses. The final outcome of the various investigations in progress was not known but must on past experience have appeared likely (particularly to PW) to produce disturbing revelations. The prospect of hostile proceedings and adverse publicity in the US had not receded. Even the basic decisions on the future structure of the group had not been taken, and there was no realistic possibility that a detailed structural plan, approved by the shareholders and the relevant supervisors, would be available by the end of June. The directors and managers of the new banks (wherever they might be) had not for the most part been appointed.

"I find it surprising that there was not a sense of impending crisis, and that the Bank did not judge this [latest] College meeting ... to merit the personal attendance of one of its most senior supervisors. But it must be very doubtful whether anything the Bank could reasonably have done at this stage would have averted the ultimate collapse of the group."

The Bank, meanwhile continued to look for an Abu Dhabi bail-out of BCCI. "There is room for very real doubt whether, in view of what it had learned (and should have understood) about the business of BCCI, particularly over the preceding eighteen months, the Bank was well-advised to give even provisional blessing to these restructuring plans until the past had been comprehensively explored or a clear understanding for the future reached with the majority shareholders."

The Bank's lack of preparation for the impending crisis is shown by the fact that its head of supervision was actually on holiday at the time BCCI was finally closed.

"Reading the Bank's contemporaneous records, I discern no sense of impending crisis. Had any crisis been expected, it would hardly have been thought satisfactory for Barnes, as Head of the Banking Supervision Division, to go on holiday on 21 June without plans for his return or consultation in case of emergency. (As it was, and although he left a telephone number, the Bank did not communicate with him during what turned out to be the crucial fortnight which culminated in the closure of the bank. The first he knew of the closure was when he returned from holiday on 6 July 1991 and read of it in the newspaper.)

"With . . . the overdue 1990 accounts unapproved, the shareholders' support unconfirmed, their global restructuring plans incomplete and the continuing threat of damaging US revelations, it is hard in retrospect to understand why the course ahead did not appear more hazardous."

It was against this background of apparent complacency at the Bank that, in July, PW delivered its bombshell: a final, damning report, which the Bank of England had itself commissioned three months before.

Its effect on the regulators was immediate. "Bartlett was clearly somewhat shaken by the report, both by its strong language and because it went further than earlier reports. Cowan thought there was not very much new in it, and suggested that its impact was the result of including all the various threads in one place...

"Quinn read the draft section 41 report overnight on Wednesday 26 June. He found it devastating. His mind was in no way prepared for it. Had he been fully alive to the story as, in a piecemeal way, it had unfolded to the Bank (from the confidential meetings in early February and on 2 March 1990, through the reports of 18 April and 3 October 1990, the doubts raised about Chowdry and the detailed allegations of Rahman), he would still have been much struck by the comprehensive and cumulative effect of the draft report, but its contents could scarcely have come as quite such a complete surprise."

Within days, BCCI had been closed – at least one action which draws applause from Bingham: "Given the decision to close BCCI without advance notice to the majority shareholders or management, the closure itself was well-planned and very skilfully executed."

The decision to close BCCI – something which has itself drawn widespread criticism – is also supported by Bingham. "There was no course open to the Bank which offered a quick and complete solution to all outstanding problems without loss, or the risk of loss.

"All the courses open were to a greater or lesser extent unattractive as liable to cause loss. But the Bank had a statutory duty to protect the interests of UK depositors. Its judgment that those interests were best served, as matters stood, by closure was strongly supported by the Board of Banking Supervision.

"And while a judgment based on that ground alone might be open to criticism (the Banking Act 1987 apart) as unacceptably chauvinistic, it was a judgment which commanded very wide assent among other supervisory authorities. It cannot be plausibly argued, in my opinion, that the course which the Bank took was not an appropriate one, even though it was not the only possible course . . .

"That, however, leaves unanswered an important question, whether PW's draft section 41 report should have come to the Bank as the devastating surprise it did. In my opinion it certainly should not.

"It would not have done so if the Bank had been more alert in receiving and understanding the messages it was given, if those messages (received and understood) had been more consistently brought to the attention of the most senior echelons in the Bank and the Board of Banking Supervision and if the Bank had more actively pursued the leads it was given."

The Bank's decision to close BCCI without first talking to Abu Dhabi also receives support from Bingham. Abu Dhabi "felt deeply wounded that such action should have been taken in this way by a country with which Abu Dhabi has, over many years, enjoyed close ties of trust and friendship. I am not at all surprised by these reactions, fired as they were by an unjustified but potent suspicion that the Bank was guilty of duplicity, and they must be a matter for deep regret. But I do not think the Bank's decision to give no effective advance notice to the majority shareholders can be criticised as wrong."

Bingham's conclusion: "This history was, in its later stages, a tragedy of errors, misunderstandings and failures of communication . . .

"Public attention has naturally focused most closely on the last fifteen months of BCCI's active existence, which was indeed a period of crucial significance. But the problems which then came to light, in large measure through the work of PW and the investigating team, had their roots deep in the past. Prime responsibility of course rests with those who devised, directed and implemented the frauds which were practised. Whether the frauds could and should have been discovered by the auditors earlier is an issue I have not been asked to investigate."

At the end, the Bank of England which remains central, says Bingham. "The Bank did not pursue the truth about BCCI with the rigour which BCCI's market reputation justified. In the later stages the Bank came to rely to an excessive extent, in my opinion, on the auditors: under the British system of supervision the auditors have a crucial role to play but the duty to supervise is placed on the Bank and it is a duty which cannot be delegated. It is the Bank, not the auditor, which is the supervisor. In these respects the Bank's supervisory approach to BCCI was in my opinion deficient. How different the course of events would have been had these deficiencies not existed, one can only speculate."

Inquiry into the Supervision of the Bank of Credit and Commerce International, HMSO £19.30.

Watchdog to contribute to energy policy review

By David Lascelles, Resources Editor

THE electricity industry regulator, Prof Stephen Littlechild, is to step up his investigations into two developments which have been widely blamed for the threat of pit closures.

He announced yesterday he would appoint an independent assessor to examine recent decisions by National Power and PowerGen, the two large electricity generators in England and Wales, to shut several coal-fired power stations.

Prof Littlechild, director general of electricity supply, will also bring forward his own review of the way electricity distribution companies buy their power supplies. The growing practice among distributors of building their own gas-fired power stations has triggered suggestions of "sweetheart" deals which may be squeezing coal out of the market.

Prof Littlechild promised to report publicly on both matters by December, meaning that his findings can be fed into the full review of energy policy which has been promised by Mr Michael Heseltine, trade and industry secretary, in January.

The two big generators announced on September 30 that they were closing 12 power stations Although these represented less than 5 per cent of generating capacity in England and Wales, most of the stations were coal-burning.

Under new licence conditions, Prof Littlechild has the power to investigate plant closures to ensure that they will not drive up electricity prices. If he thinks they will, he can recommend an inquiry by the Monopolies and Mergers Commission.

Prof Littlechild was already reviewing power purchasing practices to ensure that they are economic before the coal crisis broke. He said last week he would accelerate the review because of concern about the gas deals, but yesterday's announcement was the first indication that he would try to fit in with Mr Heseltine's timetable.

As an independent regulator, the director general of electricity supply, can only be asked by Mr Heseltine to carry out certain tasks. But Prof Littlechild said last night: "This was a decision I made myself. I think it is important to have an impartial and objective review. The most useful contribution I can make is to ensure that the electricity industry is operating efficiently."

PowerGen said the power station review was "not unexpected. We fully understand the pressures currently facing Prof Littlechild".

Dr Bob Hawley, chief executive of Nuclear Electric, the state-owned nuclear utility, denied suggestions yesterday that nuclear power stations should be shut down to make way for coal. He said this would be a "quick fix" that would overlook the long-term benefits of nuclear power.

Nuclear stations could generate electricity at a competitive price and without emitting gases into the atmosphere, he said. Although Nuclear Electric will receive £1.2bn in subsidy this year, it aimed to be profitable by 1995.

Pit leader ends sit-in protest

Mr Roy Lynk (above), leader of the Union of Democratic Mineworkers, yesterday ended his seven day sit-in at the Silverhill mine in Nottinghamshire, central England.

Mr Lynk also hinted he may change his mind about not standing again for the union leadership in next month's election. UDM members, mainly based in Nottinghamshire, have been as outraged by the pit closure announcement as their fellow miners in the Yorkshire-based NUM, but there is little chance of a rapprochement between the two unions.

Government to cut regulations on oil industry

By Neil Buckley

MR TIM Eggar, UK energy minister, yesterday gave a boost to the North Sea oil industry by reducing the burden of regulation to speed up development of new fields.

Speaking at a conference on offshore oil industry costs in Aberdeen, Mr Eggar said changes in procedure would streamline the system for approving field developments.

"I am confident the changes will produce very real benefits for field operators and their partners, not only in terms of cost savings, but also in greater flexibility to meet their commercial objectives," he said.

North Sea operators have been pressing for lighter regulation to enable them to develop more cheaply the smaller and less economic fields in the area.

Mr Eggar's most important proposals were for officials from the Department of Trade and Industry (DTI) to work within company project teams during consideration of some new developments, and for the DTI to make greater use of data and materials available within companies when assessing proposals.

He also suggested the DTI would concentrate its resources on the largest developments, while smaller ones would be subject to less rigorous assessment.

Other proposals were:

- DTI officials would have greater authority to agree technical proposals during the evaluation of "Annex B" proposals (development proposals), to give an earlier indication of the department's position.
- Less information would be required by the DTI.
- Development consents would be tailored more closely to circumstances of the field concerned.
- The DTI would give more of the responsibility for monitoring operations to field operators, while itself taking a more selective role.

Mr Harold Hughes, director-general of the UK Offshore Operators Association, said he welcomed any move that would lessen the manpower, expense and time involved in meeting DTI requirements.

"The department is moving to a less prescriptive formula and that is a very sensible development in view of the economic fragility of some of the new fields," he said.

"What was appropriate for a massive platform in deep water may not be appropriate for a small unmanned gas platform in the southern North Sea."

- Mr Eggar also announced the first award of North Sea production licences outside the usual licensing round procedure. Licences were awarded for blocks 39/1 and 39/2 to Amerada Hess and Premier Consolidated Oilfields because they were "prospects which merited early exploration".

Mr Eggar said the new arrangements had been introduced to enable speedier development of potential reserves.

Pilkington subsidiary licenses technology to Motorola

By Michiyo Nakamoto

A SUBSIDIARY of Pilkington, the UK glass company, has won an agreement to license its semiconductor technology to Motorola, the US electronics group which is the world's fourth largest semiconductor manufacturer.

The agreement with Motorola is the third licensing deal for Pilkington Micro-electronics (PMel), a wholly-owned subsidiary of the glass group which specialises in new designs for semiconductor chips.

It takes the company forward in its ambitions to establish its technology as a world standard in field programmable gate arrays (FPGAs), one of the fastest growing markets in the semiconductor industry.

The market for FPGAs, which are used in computers and instrumentation, is forecast to see compound annual growth of about 60 per cent.

PMel won the agreement over big players in the FPGA market whose competing technologies were extensively evaluated by Motorola. It will work closely with Motorola to co-develop a family of FPGA devices.

PMel was established in 1986 for the specific purpose of licensing technologies to semiconductor manufacturers and earning down payments, royalties on semiconductor sales and levies on accompanying computer aided design software.

The company does not disclose how much it has earned so far on down payments and royalties.

Unions intensify support campaign for miners

THE Trades Union Congress is launching a national advertising campaign today to attract support for the second demonstration against pit closures this Sunday and sustaining the momentum of its broader Recovery Campaign, writes David Goodhart.

The TUC Recovery Campaign has spent about £200,000 of union money on the advertising campaign and demonstration but hopes to raise much more.

Other publicity stunts include leafletting outside the Rugby League World Cup Final between Great Britain and Australia on Saturday. The British team is sponsored by British Coal.

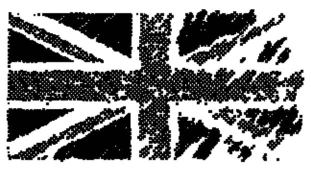
Although the TUC hopes that its Sunday demonstration will attract broader support than Wednesday's National Union of Mineworkers demonstration some officials fear that many miners cannot afford to travel to London twice within one week.

The TUC committee co-ordinating the campaign yesterday urged affiliated unions and TUC regional committees to establish links with the 10 "Heseltine pits" which have won only a temporary reprieve.

The TUC may also attempt to build on the success of postponing British Coal privatisation and give an extra push to the campaign against privatisation of British Rail. Yesterday a campaign backed by more than 60 organisations, including the main rail unions, was launched to stop privatisation.

- The High Court action being taken by the Union of Democratic Mineworkers against British Coal has been extended to include Mr Michael Heseltine, the President of the Board of Trade. Mr Heseltine acted as "judge and jury" over the original closure proposals and was behind British Coal's refusal to follow established colliery review procedures, Mr Peter Keenan, for the UDM, told the court yesterday.

Britain in brief



Five London hospitals face closure

Five London hospitals face the prospect of closure in the Tomlinson report on the future of the capital's health care, according to leaked details of the long-awaited report on state health facilities in the city.

Leaks by the pressure group London Health Emergency suggest that the report by Sir Bernard Tomlinson, author of an independent inquiry ordered by the government, recommends the closure of St Bartholomew's, Charing Cross, Queen Charlotte's, the Royal National Throat Nose and Ear hospital and the Hospital for Tropical Diseases.

St Thomas' and Guy's, both in south London, should be merged on a single site. Fuller details of the Tomlinson report are due to be revealed later today when Health Secretary Virginia Bottomley addresses MPs in the House of Commons.

Maxwell moved secret funds

Mr Kevin Maxwell used DM1.2m last March from a German account controlled by one of his late father's secretive Liechtenstein-based trusts to pay a German lawyer and ordered the rest sent to a bank in France, a parliamentary select committee has been told.

Mr Peter Phillips, of Buchler Phillips – the receivers to Mr Robert Maxwell's personal estate – told the House of Commons Select Committee on Social Security that he had then ordered the funds sequestered in order to prevent further diversions of funds. Mr Phillips was testifying about efforts to recover funds stolen from pension schemes controlled by the late Robert Maxwell.

Mr Phillips, however, said that the French-based funds, which may also be claimed by liquidators for other parts of the Maxwell empire, will first be subject to German taxes, and possibly taxes in Ireland and Canada as well, leaving relatively little for pensioners.

Ford extends lower output

Ford is to extend short-time working at its car assembly plant at Dagenham, Essex to the end of November in a further move to cut production in the face of weakening sales in both the UK and in continental European markets.

Leyland DAF, the UK subsidiary of DAF, the Dutch commercial vehicle maker, is also stopping production at its van plant in Birmingham and on its light truck assembly line at Leyland, Lancashire for two weeks in November.

The short-time working at Ford, the leading UK vehicle maker, will affect around 5,000 employees in the Dagenham car assembly plant, which produces the Fiesta small car and which exports around half of its output.

Special tax squad urged

A specialist team should be set up within the Department of Customs and Excise to co-ordinate efforts to crack down on VAT avoidance, the National Audit Office (NAO) said. In a report on the Department's efforts to counter VAT avoidance, the NAO said that overall, the total measures taken to counter the problem have contained it. "Nearly all significant avoidance schemes countered over the years have come to light as a result of the vigilance of the Department's VAT control staff," the report said.

Banks cut mortgage rates

Lloyds and Midland bank followed National Westminster and Barclays banks in announcing mortgage rate reductions. The new Lloyds rate is a 0.69 percentage point reduction to 9.3 per cent and is available for both new and existing borrowers from November 30.

Midland's new rate of 9.25 per cent, cut from 9.95 per cent, is available from Monday for new borrowers and will apply to existing borrowers from December 1. On Wednesday, Barclays announced it was lowering its mortgage rate to 9.29 per cent from 9.95 per cent with immediate effect for new borrowers and from December 1 for the bank's existing borrowers.

Retailers urged to restructure

Retailers will have to restructure their businesses to cope with a permanent era of low margins, according to a report from the Verdict retail consultancy. The report sees weak demand and overcapacity continuing to depress the sector's profitability for the foreseeable future. It also predicts inflation in shop prices will remain steady at about 4 per cent for the next year, rising to just over 5 per cent by 1996.

Company perks cut back

Perks such as company cars have been cut during the recession according to a survey of personnel staff by the Reward Group, the employment consultancy. The survey said the provision of company cars had fallen this year to 25 per cent of respondents compared with 31 per cent last year.

Perks series, Page 17

Cost of drug ingredients up by 22.4% on last year

By Paul Abrahams

THE COST of the ingredients in prescribed drugs in England during June increased 22.4 per cent compared with the same month last year, leading to fears the UK drugs budget may be out of control.

The department of health estimates the cost of prescription medicines has increased 25 per cent over the past two years. During the first six months of 1992, the increase in the cost of drug ingredients was 15.2 per cent compared with the same period last year. Inflation in the UK is running at 3.6 per cent.

Although the July figures were lower, at only 11 per cent, emergency meetings have been called within the health department to deal with the increasing drug bill, according to Scrip, the independent industry newsletter. The department denies this, although regular meetings have continued, it says.

The most recent figures will be an embarrasment for the health ministry which is struggling with the Treasury to justify its spending during the current expenditure round.

The statistics suggest government efforts to control demand for medicines have not been sufficient to keep down the bill. Last year, the government introduced budgets for general practitioners, which, if exceeded, had to be justified by the doctors. A scheme to show doctors how much they spent compared with colleagues was also introduced.

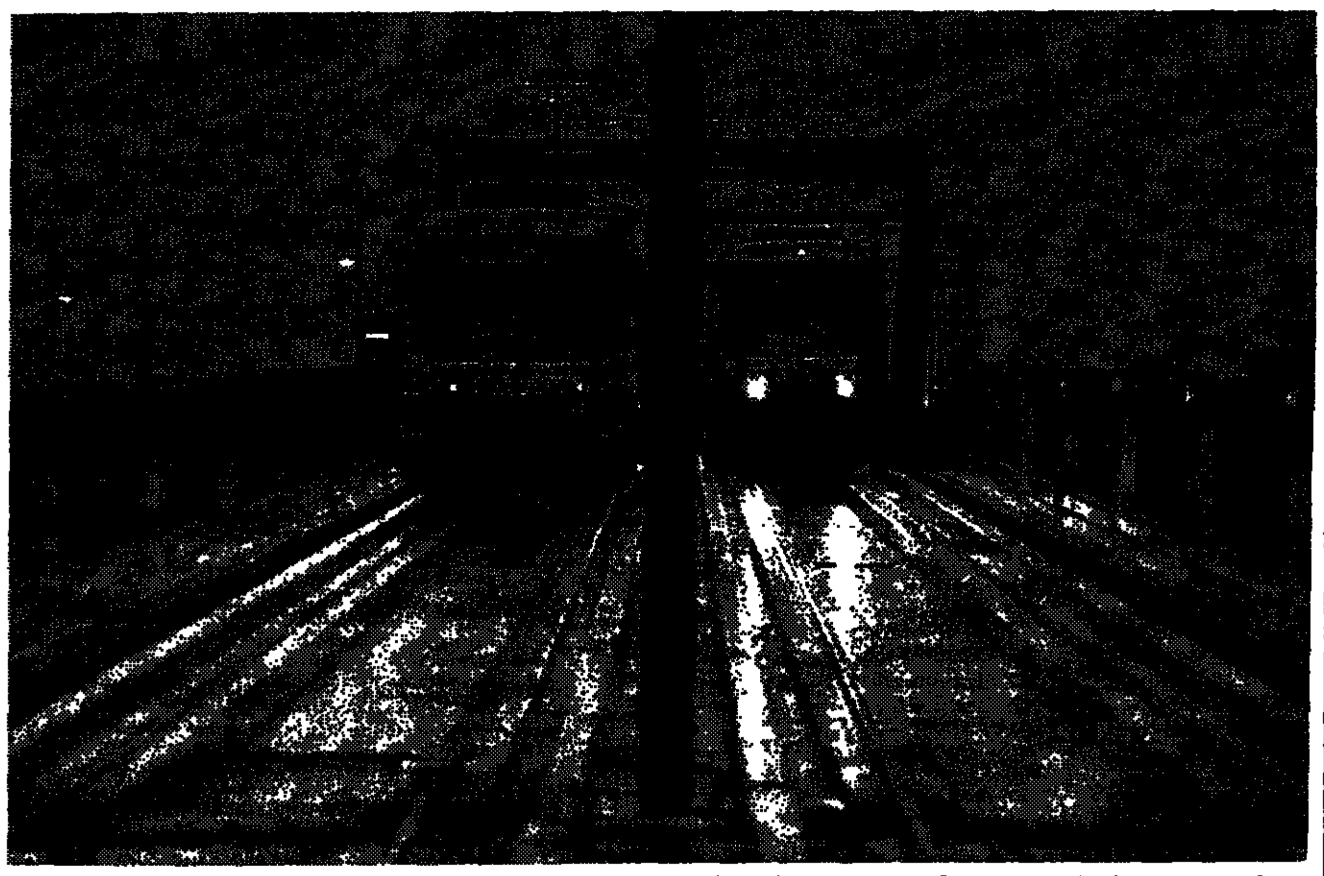
The National Health Service spent £3.138bn last year on drugs, equivalent to 9.7 per cent of its total budget. The increase in the NHS drug bill was about 10 per cent, according to Scrip.

The National Audit Office is investigating the pharmaceutical price regulation scheme which is used to set UK drugs prices. The scheme is due to be renegotiated shortly.

Other measures that could be considered by the department of health, according to Scrip, include:

- Generic substitution, which involves the pharmacist substituting a chemical equivalent and possibly cheaper medicine.
- An across the board price reduction and freeze. The newsletter suggests the reduction could be 1.5 per cent, although it suggests the move is unlikely.
- An extension of limited lists, removing certain items from the reimbursement list, forcing the patient to pay the drug's full price.

The Association of the British Pharmaceutical Industry says the increase in drugs spending is caused mainly by an ageing population which requires more medicines. It says British general practitioners prescribe fewer drugs than their overseas counterparts.



Metrolink, operators of Greater Manchester's £130m tram system (pictured above), yesterday announced plans to expand the network to other towns in north-west England. Further development of the local authority-backed scheme could see light railway services to towns such as Oldham and Rochdale, according to Mr Chris Mulligan, director-general of the Greater Manchester Passenger Transport Executive. Manchester's bid for the 2000 Olympics meant another possible extension to the east of the city where a cycling velodrome and Olympic stadium were planned. More than 3m people have used the system since it was launched six months ago

Olivetti wins £100m contract from Barclays

OLIVETTI UK, a subsidiary of the Italian information technology group, has won a services contract worth about £100m from Barclays Bank which is believed to be the largest of its kind in the UK, writes Andrew Baxter.

The five-year contract, which renews a partnership that began in 1988, underlines the growing importance of third-party IT services contracts in the UK market as users seek to reduce costs and concentrate on core business activities.

The contract, placed with Olivetti UK's customer support group, covers the national equipment maintenance and support of Barclay's branch network. A team of 280 Olivetti staff will maintain more than 200,000 items of IT and office equipment for Barclays.

Mr Alan Watson, general manager of Olivetti's customer support group, said third-party business already accounted for more than half of Olivetti's UK service revenue, and was expected to grow by 20 per cent over the next three years.

Business confidence plan outlined

By Peter Norman, Economics Editor

BRITISH Chambers of Commerce, the umbrella organisation for regional chambers, yesterday called on the government to restore business confidence through a 10-point programme embracing increased capital spending and deregulation.

But after presenting a bleak survey of business conditions, Mr Christopher Stewart Smith, British Chambers president, warned against "a reckless dash for growth".

Members in manufacturing, construction and service industries would not be best served by a new sharp cut in bank base rates from their current 8 per cent level, he said. There were "no simple fixes" for the economy.

Mr Stewart Smith called on the government to:

- Maintain vital capital spending, giving priority to infrastructure investment, especially in transport.
- Provide more support for export promotion.
- Manage the public sector pay round so that increases are less than inflation.
- Push for an agreement in the Uruguay Round of trade liberalisation talks.
- Hold down the uniform business rate (UBR).
- Proceed with deregulation, particularly by cutting red tape for small and medium sized businesses.
- Improve public sector payment terms so small companies are not left waiting for bill payment.
- Exempt empty properties from the UBR.
- Improve the support services given to businesses, especially small companies.
- Liberalise European air transport.

Mr Stewart Smith said the cost of making business trips to Europe was increasingly prohibitive, especially for small companies.

The government was in a strong position to boost business confidence, he said. Construction of the Jubilee Underground line in London, for example, could have a positive impact on jobs "in a matter of weeks".

Political rows threaten Northern Ireland talks

By Ralph Atkins

TALKS on Northern Ireland's political future have become log-jammed by rows between Unionists, nationalists and the Irish government, which have lowered still further expectations of any deal before the November 16 deadline.

Sir Ninian Stephen, the independent chairman, is expected to report today to a committee of the talks' participants on bilateral meetings he has had with each of them this week.

Although the process started in April and resumed in September after a summer break, it has failed to agree more than a sketchy outline of new institutions for the province.

Many Unionists will push for Sir Patrick Mayhew, Northern Ireland secretary, to set out British government proposals for the province. He has taken a neutral stance so far.

The disputes are over:

- Unionist demands that the Irish government acknowledge at the outset that its constitutional claim over the territory of the north will be at least modified.
- The nationalist Social Democratic and Labour Party's proposals for an executive of elected commissioners in the province. Unionists want an assembly more like a local council.
- Whether new bodies linking north and south Ireland should have executive or just consultative powers.

British visible trade gap narrows slightly

By Emma Tucker, Economics Staff

BRITAIN'S visible trade gap narrowed slightly last month with a fall in both exports and imports, official figures showed yesterday.

The value of imported goods was 2.7 per cent lower last month compared with August, while the value of exports fell by 2 per cent.

This left a visible trade deficit of £1.06bn compared with £1.15bn in August.

The current account deficit, which includes a projected £500m surplus on so-called invisible items such as financial services, government transfers and dividends, narrowed to £960m compared with £1.05bn in August.

The Central Statistical Office, which published the figures, said sterling's recent devaluation had yet to make an impact on the current account. The only indication came from a 1 per cent increase in import prices, the biggest rise for almost two years.

City commentators warned that Britain's trade position was likely to deteriorate over the months ahead as more expensive imports pushed the deficit on the current account wider than £1bn a month, about the level at which it has been running since the beginning of the year.

Export growth is also likely to remain subdued as Britain's main markets in Europe contract. The Treasury said last months's 2 per cent fall in exports was "not surprising given the slow down in world economies".

The underlying trade deficit, which excludes earnings from oil and erratic items such as aircraft and precious stones also narrowed in September to stand at £1.3bn compared with £1.65bn in the previous month.

The CSO pointed out that in the latest three months, the trade picture had barely changed.

In the latest quarter, the visible trade deficit was £3.3bn compared with £3.2bn in the second quarter. The value of imports was £0.2bn lower than in the previous quarter, while the value of exported goods was £0.34bn lower.

Measured by volume, exports excluding oil and erratics rose by 2.5 per cent last month, compared with August, but remained well below the peak reached in May this year. Import volumes fell by 2 per cent from August's record high.

But in the latest three months export volumes fell by 1 per cent, compared with the previous quarter, while imports rose by 1.5 per cent.

"There is still this puzzle of why imports are so strong given the weakness of the economy, and why the underlying trade deficit is so wide at the very bottom of a recession," said Mr Gwyn Hacche, UK economist at James Capel.

The strongest performing export sectors in the third quarter were food, drink and tobacco, fuels, cars and certain consumer goods. Exports of basic materials, intermediate and capital goods fell.

There were big increases in import volumes of fuels, chemical and consumer goods over the latest quarter. The surplus on oil fell from £251m in August to £77m last month.

Exports to all areas other than to east Europe and North America, including Canada, fell over the three months to September. Exports to oil exporting countries dropped a particularly sharp 14 per cent compared with the second quarter.

Leipzig starts to rebuild itself

The east German city faces daunting tasks, writes **Vanessa Houlder**

The confused and neglected state of the property market in the former East Germany is just one of the reasons why the wheels of economic reform are grinding slowly in that country. But some progress is evident in Leipzig, the east's second largest city, where the authorities are pressing ahead with modernising the property stock.

The smoke-belching chimneys that dominate the Leipzig skyline have now been joined by cranes; the crumbling and blackened remains of baroque buildings have been shrouded with scaffolding; and the arcades and passages in the city centre are stacked with west German consumer goods.

Change is in the air. This feeling is reflected in a survey by Jones Lang Wootton (JLW), the chartered surveyors, of 100 property companies, financiers and consultants. The respondents said Leipzig has more potential for property investors than any other east German city; while half the respondents said they planned projects in Berlin, 60 per cent said they intended to work in Leipzig.

It is the considerable lack of office space in Leipzig that is attracting office developers. Leipzig's office stock currently totals between 1m sq ft and 1.3m sq ft, virtually all of which is obsolete by western standards. An additional 2m sq ft-2.6m sq m of office space will be needed if Leipzig is to attain the same proportion of office stock to population as west German cities.

For developers, there are numerous incentives, including grants, favourable tax treatment, European Community regional grants and subsidised lending rates.

The shortage of space has driven rents up to unsustainable levels. Today rents are as high as DM60 a month, and some investment deals have been sealed on yields less than 2 per cent.

But for all the apparent opportunities, Leipzig faces some daunting obstacles if it is to fulfil its ambitions. These include:

- Pollution. Before 1989, the region had the highest density of harmful emissions in the German Democratic Republic. The city's reliance on lignite is evident in the open cast mines that scar the countryside surrounding Leipzig and the layers of grime on the buildings.

But emissions have halved with the closure of factories, briquette plants, and heating stations. Today, city residents say they can see the sky clearly for the first time in many years.

- The inadequacy of Leipzig's building stock, the result of heavy bombing during the second world war and four decades of communist neglect. Under the former communist regime, historical buildings were neglected and eventually demolished to make way for grey Stalinist-type buildings.

Leipzig's lack of good housing is a forceful brake on development since it prevents the city from attracting skilled workers. The authorities hope that, over time, the barrack-like prefabricated blocks of flats littered around the city, will be demolished.

The shortage of accommodation has driven rents up to unsustainable levels

The shortage of hotel rooms is another headache. The city has only 3,370 hotel beds, making it difficult to reserve a room at busy times, such as Leipzig's famous spring and autumn trade fairs which each attract up to 100,000 visitors. The city's planning office has received more than 100 enquiries about hotel projects.

- Poor transport infrastructure. Although Leipzig has good motorway connections by east German standards, the road system is poor compared with west Germany.
- Declining population. Leipzig's population has shrunk from 713,000 before 1939 to 511,000 today, due to a lack of jobs, decay, shortage of housing, poor recreation facilities and pollution. Since German reunification in 1990, more than 30,000 people – mainly young and relatively well-educated – have migrated from the city.
- Land ownership disputes. This is the city's biggest single problem. The government's decision to give anyone whose property was expropriated the right to reclaim their property has resulted in claims for 95 per cent of the city centre. "The most important job of every developer in Leipzig is to get the ownership situation cleared," says Mr Albrecht Wrede, lawyer for Erste München-Leipziger Investitionsgesellschaft, a developer planning one of Leipzig's largest schemes.

The poor state of the city's land registers has given the authorities an apparently insurmountable problem. It has just a few dozen staff to deal with 23,000 applications for property restitution, each of which can take 28 days to process. Last year, Leipzig settled just 130 land disputes; this was more than half the total land dispute settlements reached in all of eastern Germany last year.

For developers, the result is mounting frustration. "It is not that the staff at the city authority are not willing to work, they are not qualified," says Mr Douglas Holoch, who heads JLW's Leipzig office.

"They [the city authorities] can work effectively on questions of property," says Mr Michael Schimansky, head of the office for commercial development at Leipzig city council. The council copes with its own lack of cash by co-operating with developers. For example, developers are being asked to finance masterplans, build infrastructure and make land available at a low price for industrial uses.

The city is anxious to attract industry, since the engineering, machine tools and light industrial sectors that have been the mainstay of its economy face rationalisation. Mr Schimansky underlines the city's hunger for investment. "Leipzig is one of the new sites in western Europe where the population accepts chemical plants," he says.

Despite Leipzig's desire for rapid industrial growth, it is the trade and service sectors which are initially likely to see the greatest volume of activity. "The service industries will experience over-proportional growth," says a report by Zadelhoff Deutschland, a property adviser, and Arthur Andersen, a management consultancy. "It is generally expected that Leipzig will become a centre for trade and banking," says the report.

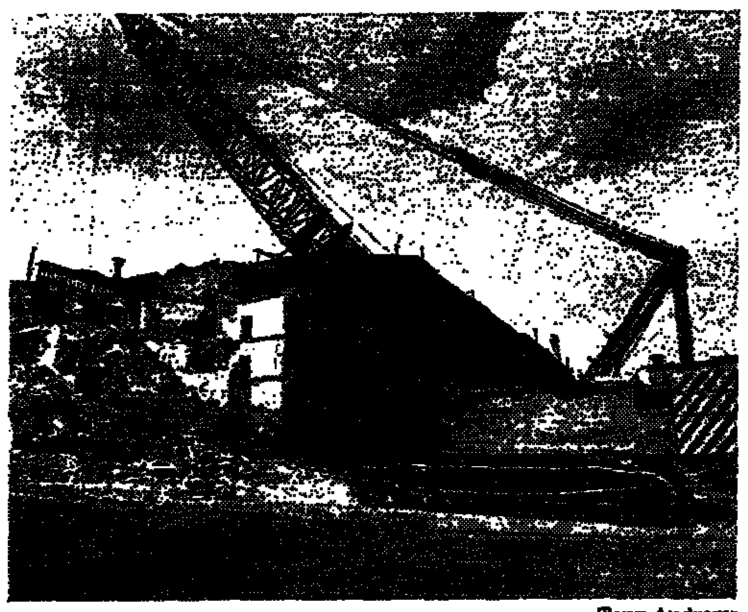
Leipzig has drawn on its past in targeting the areas where it hopes to expand. The city's historical importance is based on its trade fair. The exhibition grounds are being moved to Mockau in the north of the city, part of ambitious plans to give Leipzig the most modern exhibition facilities in Europe.

The city was also the centre of the book and publishing trade in the former communist state. The town planners have created a "Media city Leipzig" project, which will cover a large part of eastern Leipzig. The project is being carried out by an association of public and private interests, which intends to build publishing houses, media centres and office buildings at a cost of between DM2,000m and DM3,000m.

But change will be more apparent on the outskirts of the city, rather than the centre. Since the farmland surrounding the centre is not encumbered by disputes over land ownership, the area has been the target of much speculation.

A total of 143 industrial areas and business parks, covering 10m sq m have been planned. However, in the view of JLW, only 10 per cent of these will be built. "It will be necessary to make immense investments in the infrastructure for this purpose and this could be the death knell for some projects," JLW says.

Leipzig's reconstruction is being financed by institutional and private funds from western Germany. The transformation of the city testifies to the strength of Germany's commitment to its development.



Tony Andrews

Building for the future: a factory being demolished, north of Leipzig

TOTAL RETURN (%)

	Retail	Office	Industrial	All Properties
Year to Aug 92	7.2	-5.8	5.1	1.8
Quarter to Aug 92	1.2	-1.9	-0.4	-0.2
Month of Aug 92	0.1	-0.8	-0.2	-0.2

Source: Investment Property Databank

How much cholesterol is too much? Continuing a series on drug discoveries, **Paul Abrahams** explores the debate

Taking health to heart

Until recently, cholesterol-lowering drugs were the fastest-growing sector in the pharmaceuticals industry. The market's expansion – 34.3 per cent a year for the last five years – was phenomenal even by drug industry standards.

But cholesterol-lowering drugs have become dogged by controversy. Earlier this year a study in the British Medical Journal suggested that although patients taking these medicines may benefit from a fall in coronary heart disease mortality, they may also suffer an overall increase in mortality.

The US market for cholesterol-lowering drugs is now flattening out, says Jonathan Tobert of the clinical research department of Merck, the world's largest drug company. According to industry analysts, the growth in the number of prescriptions in the US has slowed from 33 per cent last year to only 22 per cent this year.

At stake is more than pharmaceuticals companies' earnings growth. Coronary heart disease is the developed world's biggest single killer. In the UK alone, as many as 300,000 people suffer a heart attack each year. Of these more than half die. In the US, 600,000 people die every year from coronary heart disease.

There is little doubt of cholesterol's role in increasing the risk of heart disease and mortality. The question is whether cholesterol-lowering drugs are safe.

Cholesterol, a natural lipid or fat, is almost insoluble. In order to move cholesterol around the body, the liver attaches it to protein molecules to create lipoproteins.

These lipoproteins come in a number of different types, but the

It is unclear whether patients with a low risk of heart attack should use the drugs

most important are high-density lipoproteins (HDL) and low-density lipoproteins (LDL). HDL carries cholesterol out of cells and is therefore known as "good" cholesterol, while LDL carries cholesterol into cells and is associated with increased risk of heart disease.

Perversely, too little cholesterol can be as dangerous as too much. William Sigmund, senior director of medical research at Warner-Lambert's pharmaceuticals division Parke-Davis, explains that too little HDL is a risk because less cholesterol is carried away to the liver for disposal.

Conversely, too much LDL leads to cholesterol being deposited in cells that become trapped in blood vessels. Other cells then attach themselves and form scar-tissue. This tissue is capable of creating a blockage that prevents oxygen reaching the heart, a process known as atherosclerosis. The heart muscle then dies from lack of oxygen.

Other risk factors implicated in heart disease include smoking, alcohol consumption, stress, obesity, high blood pressure, diabetes, lack of exercise and genetic traits.

But cholesterol remains a prime target. Tobert explains that for every 1 per cent reduction in blood cholesterol levels there is a 2 per cent reduction in coronary events, such as heart attacks.

The available treatments include:

- **Bile acid sequestrants.** These drugs bind to the bile acids in the gastro-intestinal tract and prevent them from being reabsorbed into the body. Since bile acids include cholesterol, the amount reabsorbed is reduced, leaving the liver to find cholesterol elsewhere in the body.

Richard Stokvis, group product manager for Lescol at Sandoz, the Swiss drugs company, says these drugs can reduce blood cholesterol levels by between 15 and 20 per cent, but cause problematic gastro-intestinal side-effects.

- **Fibrates.** These limit production of very-low density lipoproteins (VLDLs) in the liver. Since VLDLs are precursors of LDLs, their reduction limits production of LDL. The most common drug in this class is Parke-Davis's Lopid.
- **HMG CoA reductase inhibitors,** also known as statins. These block the production of hydroxymethylglutary coenzyme A (HMG CoA), a key enzyme required for cholesterol synthesis in the liver and intestine. This is the latest and most effective class of drug, reducing LDL blood levels by up to 40 per cent. They also increase levels of HDL – good cholesterol – up to 15 per cent.

HMG CoA reductase inhibitors include Merck's Mevacor and Zocor, and Pravachol, a drug developed by Sankyo of Japan and licensed to Bristol Myers Squibb in the US.

For some, the case for pharmaceuticals appears proven. Even the drugs' critics would agree that they are essential for those who have already had heart attacks and therefore have a high risk of further attacks. Those of a certain age with abnormally high cholesterol levels because of their genetic make-up should also be treated.

But it is unclear whether patients with high cholesterol levels who have not had heart attacks and have few or no other risk factors should use the drugs. Desirable levels of cholesterol are between 200 and 239 milligrams per decilitre in the US and between 5.2 and 6.2 millimoles per litre in the UK, according to the Family Heart Association, the British charity.

The problem is that although the drugs reduce coronary heart disease mortality, they may increase mortality through other causes.

Take an on-going study of Finnish businessmen. The trials have shown so far that of 2,051 people taking the drug only 16 died of coronary heart disease, compared with 28 of 2,030 in the control group. This suggests the drugs reduce heart disease-related mortality. However, 43 of those on the drugs died from other causes compared with only 27 in the control group. Overall, 59 of those on drugs have died, compared with 55 of those not taking them.

The evidence is not conclusive. Although large numbers of patients are involved, the trials are small, with few mortality figures to evaluate. Sigmund at Parke Davis says immense studies would be required to find an answer.

The critics contend that on the basis of available evidence it is difficult to justify the rapid expansion in the number of prescriptions issued by doctors for these drugs. Healthy people enter the doctor's surgery and leave as patients, possibly for life, even though they may not be ill. About 3.5m people in the US take cholesterol-lowering drugs.

In an editorial last month in Circulation, the journal of the American Heart Association, Stephen Hulley, professor of epidemiology at the University of California, called for a change in the US government's cholesterol reduction policy. He asked for a reduction in universal cholesterol screening and an end to the use of drugs in healthy patients to prevent coronary heart disease.

"Until we know for sure that they have any benefit, we shouldn't be giving people drugs, especially when it involves decades of treatment for otherwise healthy people," says Hulley.

Tobert says that in the US about 40 per cent of patients presently on the drugs have coronary heart disease, while a further 40 per cent have other risk factors. He estimates that only 11 per cent of patients have high cholesterol but no diseases creating the symptoms.

Scrip Reports, the market researchers, estimate that worldwide sales of cholesterol-lowering drugs would reach $3.8bn next year and $5bn by 1995. Merck should increase its sales of Mevacor, its best-selling hypolipaemic, from $1.1bn last year to $1.6bn next year, according to Mehta and Isalay, the New-York analysts. Although the overall market is slowing, sales of Merck's Zocor are growing as the drug takes market share away from older medicines, says Tobert.

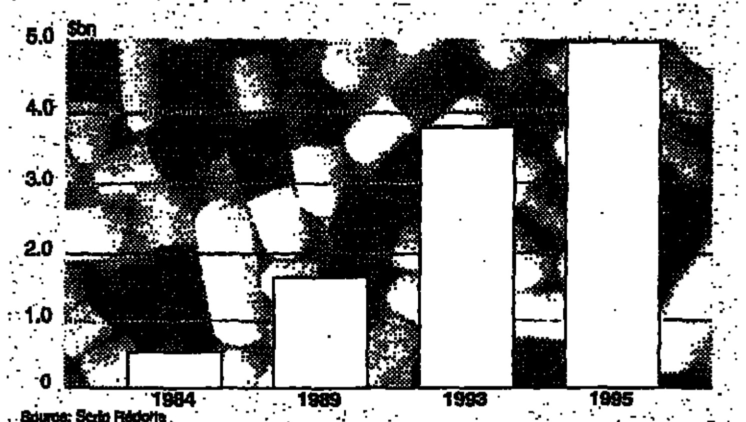
Large studies are required to resolve the drugs' overall efficacy and safety. Such a study, involving 20,000 patients, is being planned at the Radcliffe Infirmary at Oxford. The clinical trial service unit has been looking for money for two years. So far it has received only partial funding.

Meanwhile, there are concerns that fears about the drugs' safety may put off doctors and patients from using them even when they are clearly beneficial.

Anthony Keech, a cardiologist and epidemiologist at the Radcliffe Infirmary's clinical trial service unit, explains: "Most drugs carry some risk. You have to weigh up the benefits with the expected risk. Many people who ought to take these drugs just aren't being given them, particularly those who have sustained heart attacks or have congenitally high cholesterol levels."

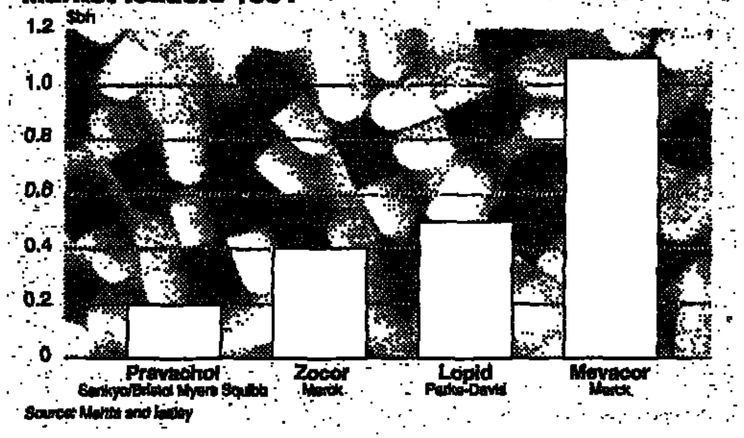
The series will continue next month by looking at the latest methods of fighting infection.

World anti-cholesterol market



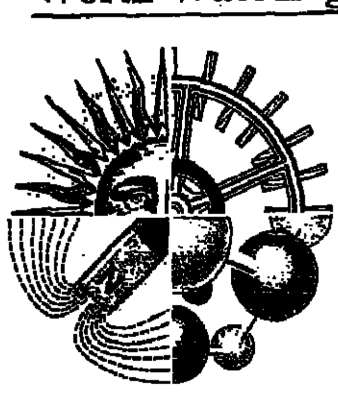
Source: Scrip Reports

Market leaders 1991



Source: Mehta and Isalay

Worth Watching · Andrew Baxter



Putting the brakes on wasted energy

Most electric motors only reach full load for a few seconds when they start up. But the motor itself has no way of adjusting the amount of electricity it consumes, wasting large amounts of energy as heat and vibration.

Now a Cornwall company, Somar Environmental Systems, has come up with an innovative intelligent power controller that works with any AC induction motor and cuts energy consumption by as much as 40 per cent.

The Somar Powerboss uses the most advanced microcomputer of its type in the world to sense automatically what load is being placed on the motor, and then supply precisely the right amount of electricity.

Companies installing the Powerboss have cut their electricity bills by between 20 and 40 per cent, says Somar, so the unit pays for itself within a matter of months. Somar Environmental Systems: UK, 0872 223000.

Sizing up the human body

Rapidly-changing lifestyles – especially dietary habits – can have a big effect on human body measurements, and have implications for industries producing everything from clothing and furniture to cars.

Conventional three-dimensional measuring instruments can size up a human body without touching it, but the process can be time-consuming and suffer from poor data accuracy. NKK of Japan says it has overcome many of these problems with its Voxelan system, which can take 187 three-dimensional measurements in 30 seconds.

The speed is due to a combination of laser-slit light scanning and a specially developed image encoder. The system is being used to measure 50,000 Japanese men and women over the next two years in an industry-backed research project to investigate how measurements are changing. Other versions measure small and moving articles. NKK: Japan, 33 217 2138.

Larger than life graffiti

Doodling and defacing pictures in books and magazines is the kind of mischief that children of all ages indulge in, but this week saw the UK launch of a product enabling adults to join in without feeling guilty.

Photograffiti starts with a 35mm negative of the customer's boss, spouse, mother-in-law etc. This is enlarged, encapsulated in rigid clear plastic, and returned to the customer with a white plastic speech bubble and a pack of five coloured felt tip pens.

Photograffiti, from London-based Graham Associates, can be used, with or without speech bubble, as a memo board or for recreation and amusement, and can be wiped clean with a damp cloth for re-use time and again. When not being used it becomes a portrait.

It comes in two sizes, 10in by 14in for £12.99 and 12in by 18in for £14.99. Photograffiti: UK, 081 392 9304

Network links get the radio signal

A low-cost alternative to digital leased lines has been introduced by UK networking specialist Layer One for companies wishing to link local area networks (Lans) in different buildings.

The Digilink 60 is a radio line-of-sight link which can connect buildings up to 1km apart, and comes in 2Mb/s (megabytes per second), 8Mb/s and 10Mb/s ethernet speed versions. Unlike laser line-of sight links, it is unaffected by rain, fog or snow.

The product operates in the newly derestricted 60Ghz frequency which means it can be licensed by the Department of Trade and Industry for £50 a year. The 10Mb/s version costs around £13,275 for purchase, installation and license for five years. Layer One: UK, 0942 273955

PERKS: **Philip Coggan** continues the series with a look at the growth of employee share ownership schemes

Going for the capitalist option

Employee share ownership is like motherhood and apple pie; everyone seems to be in favour of it. Those on the right believe that employees who are given a stake in capitalism will be more productive and less inclined to disruption. Those on the left argue that workers are entitled to share the fruits of their company's success.

The popularity of such schemes is such that nearly 1.5m employees and directors are estimated to have received shares or options worth more than £3bn in the year to March 1991. According to a recent survey by the Confederation of British Industry, 44 per cent of companies offer share-ownership schemes to at least some of their employees.

During the early 1980s, however, it seemed that the benefits of share option schemes were mainly confined to directors. There was an intellectual rationale behind the trend. By creating a commonality of interest between directors and their institutional shareholders, both could benefit. The 20th century barriers between the owners and the managers of capital could be partly broken down.

The problem was the 1980s bull market. Directors made small fortunes through their options, regardless of individual or corporate performance. Institutional shareholders started to impose limits and performance targets to prevent excessive dilution of their shareholdings. In the late 1980s and early 1990s, the problem has been turned around. Tumbling stock markets have left many directors with options which are not profitable to exercise – "underwater" in the jargon.

This is not to say that schemes have lost all popularity. "Options are recognised as a status symbol," says Damien Carnell of New Bridge Street Consultants. By the end of financial year 1990-91, some 4,721 companies had executive-based schemes in place.

But governments have worked hard to encourage the adoption of all-employee schemes by, for example, allowing directors to receive discounted options in schemes which are open to all the workforce.

One all-employee plan achieving growing popularity is the save-as-you-earn scheme. A total of 972 schemes had been approved by the end of 1990-91, with more than 500,000 employees taking part.

Under such schemes, employees are given options to buy shares in five or seven years' time – and the exercise price is normally set at a 20 per cent discount at the time the options are granted.

In addition, employees are given "interest" in the form of a bonus at the end of the five or seven-year period. This bonus now represents the equivalent of 12 monthly contributions after five years, and 25 monthly contributions after seven years. That translates into compound annual returns of 7.5 per cent and 7.38 per cent respectively.

This interest is tax-free, and so represents an attractive return even if the options become worthless. If the employee does make a gain on the share options, that is subject to capital gains, not income tax.

Since each individual is entitled to realise £5,800 of tax-free capital gains (after allowance for the effects of inflation) in a financial year, most people can avoid paying tax on their gains; simply by selling their shares over several years or by placing £3,000 worth in a single company Personal Equity Plan, on which no CGT is payable.

Up to £250 a month can be saved via this system and the gains can be huge. In 1986, for example, Wellcome employees were given the right to buy shares in five years' time for £1.29. Just after the end of the five year period, those who had invested £50 a month (£3,000 in all) would have been entitled to shares worth more than £24,000.

As word has spread among the workforce of the advantages of such schemes, more and more employees have signed up. Some companies with substantial workforces have encountered dilution constraints, where they want to issue more shares than their institutional shareholders will allow.

One route round the dilution problem is the employee share ownership trust. This is a body with certain tax advantages which is able to buy existing shares in the market – thus avoiding the need to issue new shares.

Trusts have often been used as part of management buy-out plans to encourage cross-company support for the deal. Usually, such schemes involve no financial commitment on the part of the employee; instead the trust buys the shares – using a loan guaranteed by the company – and then gives them to workers. Provided the employee holds the shares for five years, the gift is free from income tax. Although many employees have prospered through such plans, whether any of these schemes actually represent an effective means of widening share ownership is doubtful.

In many cases, directors and employees sell their shares as soon as the tax rules allow. In effect, therefore, share schemes are often merely a complex way of giving staff a delayed cash bonus.

Carnell says that companies are trying to find ways round this problem by looking at alternative structures such as restricted share schemes – under which executives are given free shares which cannot be sold for a set period – or equity partnership schemes – under which companies give matching free shares to executives who are prepared to commit their own funds to purchases.

It has yet to be proved conclusively that either director, or employee-based, share schemes benefit companies in the long run in terms of improved profitability. And companies where employees have a significant stake in the equity are still a rarity.

But as long as schemes continue to receive the support of the politicians and tax authorities, it is hard to see them going out of fashion.

Savings-related share option schemes

Year	Number of employees to whom options granted during year	Initial value of shares over which options granted during year (£m)	Average per employee (£)
1988-89	370,000	740	2,000
1989-90	460,000	1,000	2,200
1990-91	540,000	1,380	2,600

Total number of schemes approved up to March 31,1991: 972 (81 in 1990-91)

Executive share option schemes

Year	Number of employees to whom options granted during year	Initial value of shares over which options granted during year (£m)	Average per employee (£)
1988-89	90,000	1,660	18,000
1989-90	100,000	1,800	18,000
1990-91	65,000	1,380	21,000

Total number of schemes approved up to March 31,1991: 4,721 (395 in 1990-91)

Source: Inland Revenue

Christopher Lorenz argues that companies must be more radical in regenerating themselves

All change for a successful corporate revolution

To most business people, the word "transformation" is a synonym for "change". They would certainly apply it to corporate reshaping of the scale achieved at British Airways under Sir Colin Marshall, at Grand Metropolitan under Sir Allen Sheppard, or at SmithKline Beecham under Robert Bauman.

But to many academics and consultants, the word stands for nothing short of a revolution. Which is why quite a number of them are muttering that none of the three contrasting cases really justifies the use of such a dramatic word.

Under Sir Colin BA has been transmogrified from operations-minded laggard to marketing star, while Sir Allen has led Grand Met away from messy British conglomeracy to focused global leadership – albeit also with a new dedication to the customer. Bob Bauman has masterminded Beecham's unusually successful drugs merger with SmithKline.

In this sense, complaint about "transformation" falls into the same category as many people's growing dislike of the loose and ubiquitous term "change management" to describe anything from the introduction of a "total quality" programme to a complete revolution in the way a company is organised, or behaves.

But the trouble with "transformation" goes further than that. To use the well-trodden language of leadership research, Sir Colin, Sir Allen and Bauman are all undoubtedly "transformational" leaders whose achievements are very considerable indeed. But with the greatest possible respect to all three, none has had to accomplish quite the sort of transformation (in the sense of revolution) which now faces, say, John Akers at IBM. Not only are Akers and his senior colleagues having to stage-manage an internal revolution in organisational structure, market-orientation and managerial behaviour, they are trying to do so at a time when the company's competitive environment is in turmoil and its strategy in virtual tatters.

The shadow of IBM hung very clearly over the annual three-day conference last week of the International Strategic Management Society, on "strategic renaissance – the transformation of economic enterprise". Held in London this year, it was attended by more than 500 managers, academics and consultants from around the world. Its speakers included not only Sir Allen, Bauman and BA's Sir Colin, (on "From Bloody Awful to Bloody Awesome"), but also senior executives from ABB, Shell, Unilever and elsewhere, plus a host of top business academics.

The talking point of the event was a speech by Richard Pascale, whose consulting, book-writing and teaching at Stanford University have made him one of the most sought-after American advisers on how to accomplish radical change.

To him, transformation involves not only "a discontinuous shift in an organisation's capability", but also "the ability to sustain that shift", which can be far harder. "Part of it is to do with altering the future," he declared last week.

As Pascale pointed out, the difficulty of detecting the need for a transformation even in the midst of success ("or excess") was illustrated starkly in the mid-1980s. Only five years after the 1982 best seller, In Search of Excellence, was published, all but 14 of its 43 "excellent" companies had either grown weaker or were really on the slide, in spite of the best efforts of their bosses to improve things.

In a memorable accusation at the audience around him, Pascale declared: "This shows we don't know what we're doing." In 50 years' time, today's business academics and consultants might be judged to be as foolish as the doctors of the middle ages, he said. The latter examined their patients and then, in all sincerity but whatever the malady, applied leeches. And, of course, gathered fat fees.

Faced with the need for change, companies come to a fork in the road, argued Pascale. About 80 per cent take the easy route, stripping themselves "back to basics", searching for the doctor's latest tools and techniques – and going on to risk stagnation or decline.

Only a fifth of companies take the much tougher, alternative route. This involves three big steps: what Pascale called "inquiring into their underlying paradigm" (that is, questioning the way they do everything – including think); attacking the problems systematically on all fronts, notably strategy, operations, organisation and culture; and "reinventing" themselves in such a way that the transformation becomes self-sustaining.

This is deep stuff. So deep that it embraces not just "doing" new things but also what Pascale called "being" (or "living") them. In other words, the heart must be transformed, as well as the head. Or, in the jargon of academic "learning" theory, intellectual learning must be matched by emotional learning if any kind of transformation is to become really "embedded".

All of which is far easier said than done, as can be attested by Grand Met, SmithKline Beecham and other companies which have accomplished deep but not quite "transformational" change. Though Pascale puts BA in the transformation category, the conference mutterers would not. But they would concur on beleaguered IBM.

PEOPLE

Patience needed for NHS job

Alan Langlands, who joined the National Health Service as a management trainee in 1974, moves into the high-profile post of deputy chief executive on January 1.

He will replace Andrew Foster, who has been appointed to head the Audit Commission following Howard Davies's move to become director-general of the Confederation of British Industry.

Langlands will deputise for Duncan Nichol, NHS chief executive, and will head the service's performance management directorate which aims to improve the quality and cost-effectiveness of health care.

He is currently general manager of North West Thames regional health authority, one of the four regional authorities responsible for overseeing health services in London and south-east England, and his new post will be filled on secondment from the region.

His promotion will put him at one remove from the controversy about to break out over proposals to close hospitals in the capital.

A graduate of Glasgow University, Langlands, 40, has held a range of other management posts in the NHS, including manager of London's Middlesex and University College hospitals. During the late 1980s he had a spell as a health care management consultant.

The new post will test Langlands' patience with train travel. Arrangements are in progress to move the headquarters of the NHS management executive from London to Leeds, and senior officials are likely to find themselves spending a good deal of time in transit between the new Yorkshire headquarters and Whitehall.

Insurance moves

Raymond Hunter, appointed active underwriter of Sturge syndicate 122 this week, is one of a selected band of qualified actuaries to occupy prominent positions at the Lloyd's of London insurance market.

Hunter, 45, is an experienced insurer of North American liability insurance and an expert in medical malpractice, lines of insurance where the ability to calculate the right level of reserves is vitally important. A mathematics graduate and an Associate of the Institute of Actuaries, Hunter was formerly senior underwriter of non-marine special risks at Terra Nova Insurance.

Terry Hayday, the chief executive of Sturge Holdings, which manages syndicate 122, describes Hunter as "clear in his ideas and clean cut" and says that members' agents – who channel Names into syndicates – have been impressed by his style.

In a separate move, Colin Owen, 41, has been appointed deputy chairman of Sturge motor and personal risks. Owen has been at Lloyd's since 1967 and is active underwriter of syndicate 718. Owen is also chairman of the Lloyd's Non-marine Association's personal accident sub-committee.

■ Ian Offor, general manager (sales) has been promoted to chief executive of ROYAL SCOTTISH ASSURANCE; he succeeds Bill Stewart who remains on the board as deputy chairman but is returning after a three year secondment to Scottish Equitable.

IT at Asda

Asda, the Leeds-based grocery chain which is busily trying to revive its flagging fortunes, has recruited an IT specialist from Midland Bank to work on its systems development.

In recent years, Asda has lagged behind rivals such as Tesco, Sainsbury and Safeway in making the most effective use of the information garnered from electronic point of sale equipment at check-outs.

But Archie Norman, Asda's chief executive, now places great emphasis on improving the company's performance in this area and has recruited Philip Langsdale to implement the necessary changes.

Langsdale, 36, is currently Midland's director of IT planning and has been immersed in bits and bytes most of his working life at IBM, Nolan Norton and Coopers & Lybrand.

■ Judith Evans has been promoted to departmental director responsible for corporate personnel at SAINSBURY's.

■ John Stableford has been appointed md, enquiry service division, and Hugh McIntosh information management director at BARBOUR INDEX.

■ Graham Kettle, formerly ceo of United Distillers' Schenley Industries in the US, has been appointed md of Initial Cleaning Services, part of BET.

■ Tim Griffiths, md of Williams Lea Facilities Management and Sean Williams, md of Williams Lea & Co, have been appointed directors of the WILLIAMS LEA GROUP.

■ Robert Young has been appointed a director of BULA RESOURCES (HOLDINGS).

■ Patrick Brennan, who looks after the Financial Times's circulation in the Americas, has won a top newspaper industry award. The American Association of Independent Newspaper Distributors has named him as the 1992 circulation executive of the year.

Brennan is the first recipient of the award which will be presented at a luncheon in Santa Monica today. The AAIND, which has 700 members in 33 states, says that the award will be given annually to the circulation executive who represents the best example of publishing management and independent distributors working together to increase circulation.

The FT has been printing a US edition since 1985 and sells around 25,000 copies a day.

Sir John Quinton heralds new era at Wimpey

Sir Clifford Chetwood, chairman of Wimpey, is saying goodbye after 40 years with the company.

Two years ago Sir Clifford (right) relinquished the dual posts of chief executive and chairman and is now to be replaced as non-executive chairman by Sir John Quinton (left) who stands down as chairman of Barclays Bank at the end of this year.

It is the first time that Wimpey has gone outside the group for such a senior appointment. Sir Clifford, who became chairman in 1981 and chief executive a year later was groomed by Sir Godfrey Mitchell, the man who turned Wimpey from a small west London stonemasons into the country's second largest housebuilder.

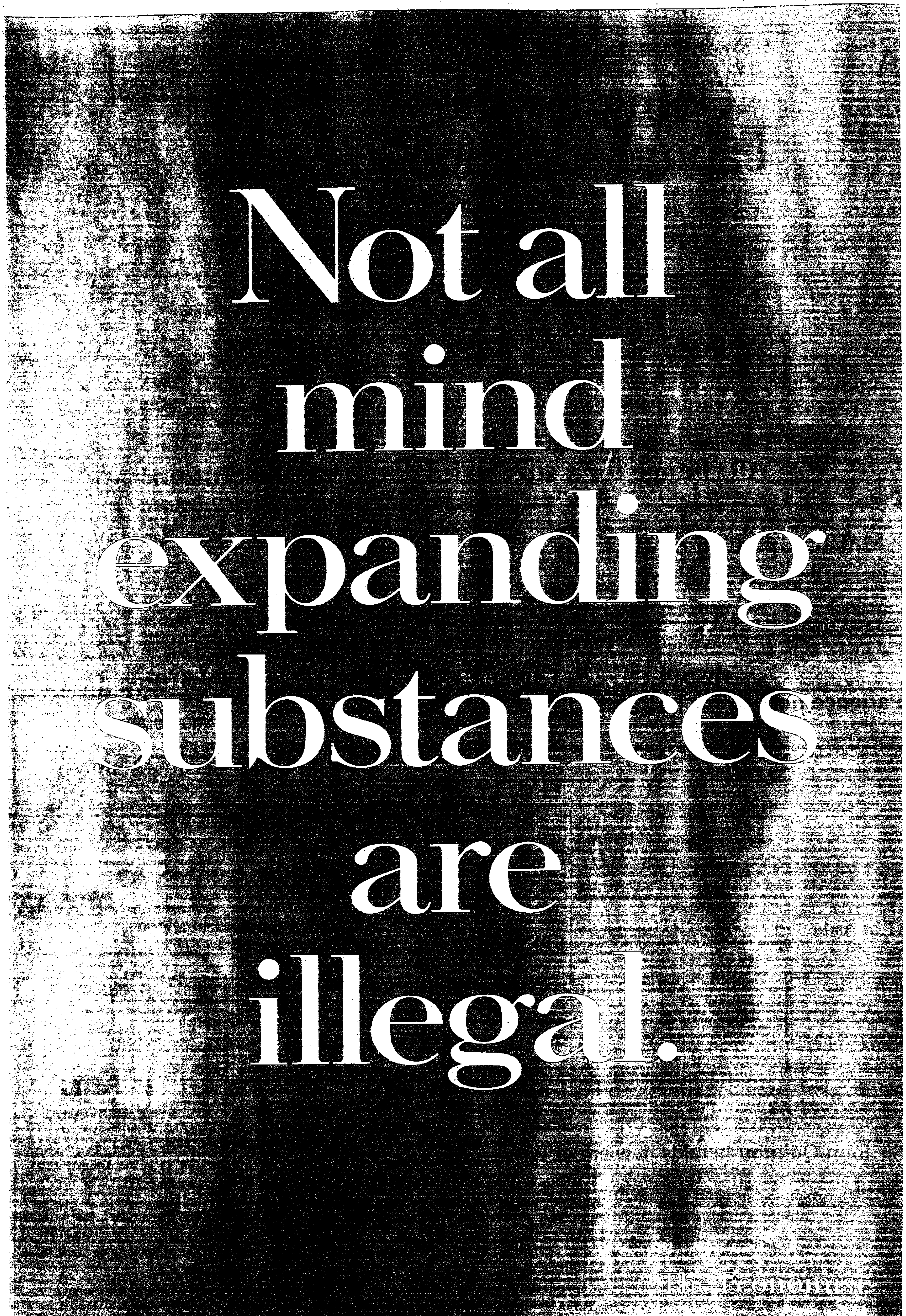
Sir Godfrey, who as a young army captain acquired Wimpey in 1919, dominated the group's management until his retirement more than half a century later. By the time Sir Clifford took over Wimpey was in decline. The management structure for such a large group was inadequate. Financial arrangements had been handled by Sir Godfrey – who was vehemently opposed to any borrowing – and by two other directors.

Housebuilding in the UK had risen to account for a disproportionate amount of the group's annual profits which left it vulnerable to a sharp decline in the UK housing market.

Much of Sir Clifford's time was taken up in reorganising a hotchpotch of separate businesses run by 17 separate, largely autonomous, regional companies.

The task of turning such a large ship was always going to be difficult. Sir Clifford's efforts were eventually confounded by the collapse of the UK residential and commercial property markets at the end of the 1980s.

The task of steering the group to better climes has fallen to Joe Dwyer, chief executive, and to Sir John Quinton.


Not all mind expanding substances are illegal.
The Economist

ARTS GUIDE

Opera in Birmingham and Glasgow

'Carmen' smoulders on

A bloodthirsty spectacle of high drama and passion has arrived in Birmingham. No – not the one in which twelve men in grey suits stab each other in the back for the sake of a concept that none can define. That was last week.

This is the arena production of Bizet's *Carmen*, involving a huge company of performers (500 singers and dancers and ten horses, according to the press hand-out), which was first seen in London at Earl's Court in 1989. In Birmingham it is being played in the National Indoor Arena, where it opened on Wednesday after a postponement of a couple of days in order to allow the previous occupants, the world's media who had been attending the summit, to move out.

At best, it is still a spectacular show. Without turning *Carmen* into an all-singing, all-dancing musical blockbuster, the production brings off some splendid *coups de théâtre*. Escamillo arrives with a torch-lit procession of admirers. Gypsies descend from the roof on rope ladders. The parade of toreadors, arriving on horse-back to the acclaim of the multitude, was just the grand and exciting climax it ought to be, but never usually is.

In its original staging all these ideas were said to add up to a production that was well integrated and scorchingly alive. But in that case some of the burning Spanish midday heat has gone out of it. This revival in Birmingham needs a lot of tightening-up if the drama is to generate momentum. Scenes with the principals need to suggest early enough the passion smouldering below the surface.

It was not until the final confrontation – a splendid scene with Don José stalking Carmen around the deserted bull-ring – that Wilhelmenia Fernandez and Jacques Trussel really set sparks off each other. As a soprano Carmen, Fernandez was attractive and sensual but lacking the darker side, the fatalism, the rawness of emotion; Trussel's singing sounded stretched. Cynthia Haymon was a lovely Micaela and Gregory Yurisich a proud, confident Escamillo. Prospective visitors should note that the casts are variously interchangeable.

Amplification of the voices was excellent; the ensemble, though, seemed perilous. From my seat no less than 12 television sets were in view relaying the conductor's beat to the stage, but even that was not sufficient to keep singers and orchestra together across such a vast space – a pity, as Jacques Délacôte was giving a real performance in the pit, enlivened with subtleties and insights in every corner.

Nevertheless, like each of the arena opera productions seen so far, this one is a creditably serious attempt to present opera truthfully to the masses. The local audience would seem to have taken to the idea, as thousands flocked to the first night, leaving few empty seats. No doubt the people of Birpmingham are delighted that the city is now playing host to a show in which more than a government's reputation gets murdered at the end.

Richard Fairman

Performances continue until October 27 (021-200 2222 and 021-633 3333)

A 'Julius Caesar' to make Handel weep

On the Chestertonian grounds that a thing worth doing is worth doing badly, the first-ever Scottish Opera production of *Giulio Cesare in Egitto* can be welcomed. There are no other grounds for doing so. Handel, a theatre composer of supreme genius whose greatest works now enrich the basic repertory of all serious opera houses, is here taken back to the caveman age of the 20th-century Handel revival – the age when those operas were deemed to need "help" of some form or other.

In this *Julius Caesar* the score is cut (bad enough) and its three-act structure broken into two long, misshapen acts (worse), in patches re-scored and re-ordered (worse still), and (worst of all) conducted with an ignorance of the basic niceties of 18th-century style that must make even the most tolerant Handelian weep with rage and despair. The staging is mounted in comic-strip style, with an utter lack of wit in the early scenes and lack of emotional depth in the later, but absolutely no lack of late-20th-century opera-production clichés (stepped stage, poster-bright costume colours, evening dress, bra and petticoat, shoe and glove fetishism, cartoon front-cloths, and so on).

I cannot actually *prove* that it all adds up to the single worst Handel opera production ever given by a leading British company, but after sitting through Wednesday's opening night at the Glasgow Theatre Royal I am strongly moved to insist that it must be. It is the dead mass of boredom to which the opera is unvaryingly reduced – all three hours and 20 minutes of it (much of it taken up with silent pauses for face-pulling or prancing about) – that one minds so furiously. When silliness of staging (hopelessly old-fashioned for all its modish gestures) meets invertebracy in the musical direction, a lethal operatic brew is cooked up.

Julius Caesar characters delivered in the language of *Viz* or John Glashan cartoons are bad enough; *Julius Caesar* arias rendered lifeless by a conductor's rhythmic drag and plod, with occasional further slowings-down in mid-course, provide the *coup de grace*. This horror is the work of the German producer Willy Decker (from Cologne), the Glasgow designer John Macfarlane, and the Swiss conductor Samuel Bächli, and is a co-production with the theatres of Ludwigshafen and Montpellier. For its taste-level, approach to the late-20th-century re-imagining of Handelian *opera seria* dramaturgy, and above all level of musical command, the adjective provincial might have been coined.

No good points? Well, the voice parts are all given at correct pitch (countertenors sing Caesar, Ptolemy and Nirenus, and a female mezzo Sextus). The cast is potentially a fine one, which makes the musical and dramatic waste of it that much harder to bear: Michael Chance in the title role (lacking the big virtuoso guns for the florid music but innately musical, eloquent and supple in phrasing), Joan Rodgers as Cleopatra (her exquisite timbre clouded by production idiocies and tempo misjudgments), Anne Mason (Cornelia), Eirian James (firm-toned as Sextus), Christopher Robson (prone to self-caricature as Ptolemy), Gidon Saks (Achillas) and Timothy Wilson (Nirenus). Brian Trowell's graceful English translation is welcome.

In sum, however, this is an achievement to place beside Covent Garden's recent *Huguenots* and Scottish Opera's own 1985 Weber *Oberon*: all three instances of works requiring some form of "period" sympathy in the mounting, and productions of the most shamingly unsympathetic and inartistic kind.

Max Loppert

In repertory at Theatre Royal, Glasgow, until October 29, then on tour in Aberdeen, Newcastle and Edinburgh

'Tobias leaves his blind father' by Bartolomeo Guidobono (1654-1709)

Get to know the Genoese

Susan Moore visits Frankfurt

If only someone had had the nerve to call this show "The Genius of Genoa". Unsurprisingly, *Art in the Republic of Genoa 1528-1815* is failing to pull crowds into Frankfurt's Schirn Kunsthalle. No doubt few passers-by would be able to even name a Genoese artist, and the rest remain uninspired by the dreary title to find out who – or how wonderful – the republic's artists might be. What treats the incurious are missing.

It is, however, an uneven show. At first glance, its exhibits are not unlike those of an Italian provincial museum, incongruously transposed into the inhospitable modernist space of the Schirn. There are the requisite unframed pictures in less than perfect condition, plus a mélange of furniture, sculpture, silver, ceramics and textiles. On the other hand, most civic museums do not boast a wall of Genoese-period Van Dycks.

In Van Dyck, the immensely wealthy and ostentatious ruling families of Genoa – bankers to the world – found their perfect recording angel. These are sumptuous but sombre portraits, each nuance of gossamer lace, silk and velvet rendered with consummate skill. The young gentlewoman known as the Marchese Balbi is decked out entirely in black – but blacks encrusted with gold, trimmed with threads of silver. But this is far more than a statement of rank. Van Dyck cannot but warm to this dark, flashing-eyed beauty. Looking at her we realise how unalluring by comparison he found his puddingy English female sitters.

Another other full-length, a penetrating study of an aged and wordly Genoese senator, makes for a striking contrast to the informality of the portrait of his two friends from Antwerp – the painters, engravers and dealers Lucas and Cornelis de Wael with whom Van Dyck lodged during his stay in Genoa during the 1620s. Cornelis sits with one arm casually draped over the back of the chair, the black sleeve of the other highlighting the delicious cut white silk of his brother's doublet. Sadly we are unable to compare the pupil with his master: there is not one of the great Genoese portraits that Rubens had painted some 20 years before.

In an attempt to be encyclopaedic this show has spread itself too thin

Rubens was to exert a profound influence on Genoese art, not least on the Capuchin friar turned painter Bernardo Strozzi. Strozzi is a painter's painter who wields a generously loaded brush with brio; nowhere is the vitality of surface more evident than in the "Allegory of the Arts" on loan from the Hermitage, and a vast "Rape of Europa" from Poznan. Strozzi works from a black ground and drags layer upon layer of rich tints across the canvas to lend an earthy substance to his figures. Ideal Flemish voluptuousness melds with the North Italian realist tradition.

Here, too, is a marvellous lute player, a dark, swagger portrait of an unknown man, plus the only known Strozzi bozetto – or oil sketch – for a silver basin, illustrating various episodes from the life of Antony and Cleopatra. Displayed beside it is the basin which ultimately derives from Strozzi's sketch.

Genoa's other great home-grown, 17th century talent is Giovanni Benedetto Castiglione, best remembered as the inventor of the monotype and the perpetrator of virtuoso drawings made with the point of the brush and oil paint on paper. In one of the most complex Baroque compositions on show, Samson is attempting the destruction of the temple of the Philistines; to escape the tumbling masonry, a young boy in the foreground, boldly foreshortened, almost dives head-first out of the picture.

In the art of painting, the Baroque period is indisputably Genoa's finest hour. Alongside the more or less familiar tours-de-force of acknowledged masters, we also find a wealth of major minor masterpieces, such as Giovanni Maria Bottalla's "Deucalion and Pyrrha" brought from Rio de Janiero and an effectingly tender account of Tobias taking leave of his blind father by Bartolomeo Guidobono. It is tempting to say that an exhibition focussing on the Baroque, like that staged in Genoa earlier this year, would have been more rewarding. In an attempt to be encyclopaedic, this show has spread itself too thin.

The exhibition continues until November 8.

Theatre/Malcolm Rutherford

Making it better

One of the loveliest theatres in London, the Criterion in Piccadilly Circus, has re-opened after a four year pause for refurbishment. It looks resplendent from inside and out. It has come back with a transfer from the Hampstead Theatre, *Making It Better* by James Saunders whose *Next Time I'll Sing to You* and *A Scent of Flowers* made him seem a promising playwright in the early 1960s.

It is not that Saunders has gone backwards, merely that he has failed to develop. Here we are with a rather slight, well enough written play that is not going to offend anyone; nor excite them either. For the culturally aware, there are two references to Graham Greene within the first few minutes. There are also the comforting background and voices of the BBC World Service.

Jane Asher playing Diana Harrington must be one of the few actresses who can claim to sleep with the entire cast. Not that she is a nymphomaniac; there are only three, apart from herself. In order of appearance they go as follows: her husband, who has decided to "come out" and therefore leaves her; an old Czech, who has defected in the pregnant year of 1968 and whom she picks up in a pub; and a young Czech who has first been the male lover of her husband.

On stage it all looks quite innocent. The setting is London, the time 1989 – the year of the real Prague spring. (Saunders has previously worked on *Redevelopment*, one of the plays by the Czech President, Vaclav Havel). There is still a little spying going on, but not nearly enough to make a plot.

The Czech connection is simply that both Diana and her husband have previously worked for the BBC in Prague. Now they are back in Bush House, the headquarters of the BBC's overseas broadcasting, where it seems that Czechs are two a penny.

Here there are a few jokes. One had forgotten what asinine programmes the World Service puts out between news bulletins: snatches of Buddy Holly and helpful documentaries on the spread of science and technology.

"Well, of course," says the announcer, "the history of telecommunications is still developing. Next Wednesday we shall be talking to the man who tried to put a telephone in every village in India." Possibly this is Saunders being satirical; it struck me as the funniest line in the play.

Making It Better is not a *bad* piece, just a bit slow. Ms Asher is a very professional actress who would be better still if she had sharper lines. Larry Lamb as her sometimes husband looks exactly like the sort of man you would expect to meet in the World Service of the BBC.

David de Keyser and Rufus Sewell play the old and young Czechs respectively. The director is Michael Rudman. The best news remains that the Criterion is back on the map.

Criterion Theatre. (071) 839 4488

Concerts

Lorenz and Möst deliver the unexpected

Misled about the starting-time of his recital, I missed Siegfried Lorenz's opening Schubert *Lieder* on Wednesday. That was a great pity, as his Hugo Wolf and his Schumann soon demonstrated – and a pair of Schubert encores finally confirmed. This was his London recital début, which is quite inexplicable: there have been admiring reports of his singing for at least 15 years; has Somebody here has been asleep.

On the platform, this baritone does not cut a romantic figure. He has the charisma of an assistant bank manager who is going out of his way to be friendly; or in narrative, comic or ironic songs, of a jolly uncle eager to act everything out for the children. But he delivers his songs like a self-effacing master – almost a pedagogical model, but escaping that chilly stamp by virtue of a warmly appealing, human timbre.

In fact the Lorenz voice is capable of great imaginative variety; but it took a special effort to notice it, so discreetly was all that art put to the service of the texts and the music. The nearest comparison is with the tenor Peter Schreier, a regular Lorenz partner: searching attention to the lyrics, marvellously communicative, unforced diction, an iron determination to winkle out everything in the music that serves the sense – but never to fake up something more. In a programme of first-water songs like these (Mörike *Lieder* by Wolf, Schumann's op. 24 *Liederkreis* after Heine), anything more would be superfluous.

There was no illusion of inspired spontaneity, but none of his songs required that extra spice. Not, at least, from the singer; but Wolf's "Storchenbotschaft", a delectable cartoon of a shepherd receiving the glad news from a pair of storks that his girlfriend has given birth – unfortunately, however, to twins – deserved a far more fluent, exuberant waltz-postlude than Iain Burnside gave it.

Burnside is the Artistic Director of this South Bank song-series, and an accompanist of great but uneven promise. This was one of his uneven evenings. He could be soberly rapt in Wolf's great insomnia-to-benediction "In der Frühe", and he dealt astutely with the piano-parts of the most familiar songs. Elsewhere he seemed to be feeling his way still. In Schumann's visionary epilogues he was always prickly and self-conscious. For Lorenz's deceptively "natural", direct manner, he was not a natural partner.

★

In the Festival Hall, Franz Welser-Möst conducted an ingenious programme with the London Philharmonic on Tuesday. Each half offered a big work by a composer in his young maturity (Brahms and Bartók), preceded respectively by an earlier novice piece for only strings (Rossini at 12) and another for winds alone (Richard Strauss at 17).

The LPO strings found a proper Rossinian verve for his C major "String Sonata". Though the transcription from the original four-player score never sounds convincingly orchestral, the individual string-sections made a good, muscular fist of their "solo" flights. Strauss's *op. 7* Serenade – for 13 players, like Mozart's divine B-flat Serenade – was gracious and subtly shaded, but any temptation to rollick was firmly repressed: not much hint of the later, unbuttoned Strauss got through. I had always thought that the appeal of this Serenade lay in just that.

The D minor Piano Concerto of Brahms found Radu Lupu plainly off-form. Welser-Möst led off in fine, stormy style. The piano's late entry, with that worried tune in restless sixths, may be a nervy new voice, or a secretive contrast – but Ludu made it nothing in particular. Though this work ought to be ideal Lupu territory, he was strangely backward about fixing any consistent character in it. Some transitions were roughly assertive where a natural reading would seem to ask for tapering-down, and others *vice versa*.

Bartók's *Miraculous Mandarin* was performed complete, with the eerie choral voices (the LPO's Choir) toward the end. Obviously well-prepared and brightly coloured, it sounded more like a straight ballet-score – an uncommonly violent one, of course – than a baleful symphonic vision, as in the famous Boulez reading. For the subcutaneous "seduction" scenes, the solo clarinet was less than sexy. As a whole, nevertheless, *Mandarin* made a high-profile impression where the Brahms had seemed fitful and bitty: exactly what one had not expected.

David Murray

INTERNATIONAL ARTS GUIDE

New York City Ballet opens its winter season at the Lincoln Center on November 17, with a gala performance featuring a new pas de deux by Peter Martins. The following week will be taken up with repertory performances.

The company's annual presentation of George Balanchine's production of The Nutcracker runs from November 27 to January 3. Repertory performances then continue till closing night on February 21.

On January 14, the company presents the world premiere of a new work by Martins, set to a commissioned score by trumpeter Wynton Marsalis. The Wynton Marsalis Septet will play at all five opening performances. The NYCB repertory will include 23 Balanchine works, eleven by Jerome Robbins, plus choreographies by Sean Lavery, Richard Tanner, William Forsythe and others (tel 870 5570).

Washington Opera opens its new season on November 7 with Otello. Ermanno Mauro will sing the title role. The other new production is Bizet's Pearl Fishers (Jan 2-Feb 13). After Otello (Nov 7-28), there will be revivals of Rimsky-Korsakov's The Tsar's Bride (Nov 14-29), Don Pasquale (Dec 26-Jan 30), La Cenerentola (Jan 16-Feb 14), Turandot with Eva Marton and Lando Bartolini (Feb 20-March 13) and the Washington premiere of The Cunning Little Vixen (Feb 27-March 14), in Bill Bryden's English-language production borrowed from Covent Garden (tel 416-7851).

EXHIBITIONS GUIDE

APELDOORN

Rijksmuseum Paleis Het Loo The White Palace: From Louis Napoleon to Wilhelmina 1806-1962. The exhibition comprises mostly unknown 19th and 20th century drawings and designs for additions to the Dutch royal residence, before it became a museum in 1970 and was returned to its original 17th century condition. Ends Jan 10

AMSTERDAM

Rijksmuseum Drawings from the Age of Bruegel: the Frits Lugt Collection. Ends Nov 8. Closed Mon

Stedelijk Museum Sigmar Polke (b1941): 30 paintings and installations. Ends Nov 29. Daily

BERLIN

Martin-Gropius-Bau America 1492-1992: a vast and enthralling survey of American culture from the time of Columbus' voyage of discovery to the present day. Ends Jan 3. Closed Mon

Nationalgalerie Art in Germany 1905-37: more than 140 paintings and sculptures by 62 artists, including Dix, Klee and Munch. Ends Jan 3. Closed Mon and Tues

Brücke Museum Painting and Sculpture of the Brücke: works by Kirchner, Schmidt-Rottluff and other members of the early 20th century group of German artists. Ends April 4. Closed Tues

Altes Museum The Scandanavians and Europe 800-1200. Ends Nov 15. Closed Mon

CHICAGO

Art Institute Ancient Americas: 300 works of art, from modelled ceramic vessels and brilliantly coloured textiles to goldwork and monumental stone sculptures, exploring more than 3000 years of Amerindian art. Ends Jan 3. Also Contemporary Spanish Architecture: an exhibition illustrating the rapid growth of civic architectural commissions under the country's new democracy. Ends Jan 3. Daily

COLOGNE

Wallraf-Richartz-Museum From Brueghel to Rubens: the Golden Century of Flemish Painting. An exhibition of 150 paintings and 170 graphic works from the years 1550 to 1650. Ends Nov 22. Closed Mon

Museum für Angewandte Kunst Jewels of Fantasy: 350 pieces of costume jewellery by names such as Chanel, Dior and Kenneth Jay Lane, tracing the social, economic and cultural influences on 20th century jewellery design. Ends Feb 7

FORT WORTH

Kimbell Art Museum Egypt's Dazzling Sun: Amenhotep III and His World: 143 works, including colossal statues, wall paintings, ritual implements, jewellery, ceramics and rainbow-coloured glass, focusing on Tutankamen's illustrious ancestor, who reigned 1391-1353 BC. Ends Jan 31 (this exhibition will be seen in Paris next spring)

FRANKFURT

Schirn Kunsthalle Genoese Art of the Baroque Age. Ends Nov 9. Daily

Städel Emil Schumacher (b1912): 60 paintings by the German abstract painter. Ends Jan 10. Daily

Deutsches Architekturmuseum Modern architecture 1900-50: 800 drawings by German architects. Ends Nov 29. Closed Mon

Raiffeisenhalle Contemporary Art of Mexico. Ends Nov 1

LONDON

Royal Academy of Arts Sacred Art of Tibet. Ends Dec 13. Daily

Tate Gallery Grand Manner Portraiture in Britain from Van Dyck to Augustus John: 60 paintings demonstrating the scope and visual splendour of English portraiture at its most ambitious, including work by Reynolds, Gainsborough and Sargent. Ends Jan 10. Also The Painted Nude. Ends Dec 27. Also Turner's Use of Perspective. Ends Jan 31. Daily

British Museum Ukiyo-e paintings: 100 images of bawdy society depicted by painters of feudal Japan during the Edo period 1600-1868. Ends Nov 29. Daily

National Gallery Saint Jerome: the latest in the Gallery's Themes and Variations series traces the image of the fourth century scholar and polemicist in more than 30 altarpieces and domestic devotional paintings from the 14th to 17th centuries. Ends Dec 13. Daily

Hayward Gallery Art of Ancient Mexico. Ends Dec 6. Also Bridget Riley: paintings 1982-92 by one of Europe's most authoritative abstract painters. Ends Dec 6. Daily

Whitechapel Art Gallery Juan Gris retrospective. Ends Nov 29. Closed Mon

LOS ANGELES

County Museum Dutch paintings from the Carter Collection: 36 landscapes and still lifes by Avercamp, Cuyp, Jacob van Ruisdael and the van de Velde family. Ends Jan 17. Also The Golden Age of Danish Painting: 100 works painted between 1780 and 1850, when Copenhagen was a major art centre. Ends Jan 2

NANCY

Musée des Beaux-Arts Edward Burne-Jones (1833-98): The Symbolist Drawing. More than 100 works on loan from the Fitzwilliam Museum, Cambridge, reflecting the English artist's links with the Romantic movement and Italy. Ends Dec 21. Closed Tues

NEW YORK

Metropolitan Museum of Art Ribera: 400th anniversary retrospective. Ends Nov 29. Also René Magritte retrospective. Ends Nov 22. Alexander Jackson Davis: first major exhibition to examine the entire career of the great romantic of American 19th century architecture. Ends Jan 24. Also The Century of Tung Ch'i-ch'ang: 170 paintings and calligraphies showing the impact of the revolutionary 17th century Chinese master. Ends Jan 10. Loma Negra, a Peruvian Lord's Tomb: 125 funerary objects and adornments made in the third century by the Moche people of Peru. Ends July 4. Closed Mon

Museum of Modern Art Henri Matisse: 300 of the most important paintings and a generous selection of sculptures, drawings, paper cutouts and prints. Ends Jan 12. Closed Wed (call Ticketmaster 212-307 4545)

Guggenheim Museum Robert Rauschenberg, the early 1950s. Ends Jan. Also the Great Utopia: the Russian and Soviet Avant-Garde 1915-32. Ends Dec 15. The SoHo site has the set of murals which Chagall painted for Moscow's Jewish Theatre in 1920. Ends Jan 17. The main museum is closed on Thurs, the SoHo site on Tues

Whitney Museum of American Art Jean-Michel Basquiat (1960-88): 90 works by the Brooklyn-born painter and graffiti artist, noted for the way he combined words and symbols in brightly-coloured canvases. Ends Feb 14. Also Figurative Works from the Permanent Collection. Ends Nov 29. Closed Mon

PARIS

Louvre Drawings by Liotard (1702-89): 100 works by the Swiss pastellist who ranks as one of the most sensitive if least readily classifiable of rococo artists. Ends Dec 14. Closed Tues (Pavillon de Flore)

Grand Palais Picasso et les Choses: 150 still-life oil paintings, collages, gouaches and sculptures from all periods in Picasso's career. Ends Dec 28. Also The Etruscans and Europe: pottery, bronzes, wall paintings and jewellery illustrating the harmonious civilisation which formed a link between ancient Greece and Rome. Ends Dec 14. Closed Tues, late opening Wed (ave du General Eisenhower)

STOCKHOLM

Moderna Museet Léger and the Nordic countries: 60 works by the French Cubist dating from the period 1914-38, when he travelled widely in Scandanavia. Ends Jan 6. Closed Mon

Nationalmuseum Rembrandt and His Age: 190 paintings by the Dutch master and his large circle of pupils. Ends Jan 6. Closed Mon

VIENNA

Albertina The English School: 138 drawings and watercolours by three centuries of British artists, selected from the Albertina's collection. Ends Nov 8. Daily

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday October 23 1992

A timorous Old Lady

THE BANK of England, as portrayed in the Bingham report, has spent the last decade as the financial equivalent of the Wizard of Oz. Behind an impressive façade of masonry, tradition and legal powers lurks a cowering midget, uncertain of its strength and anxious, at all costs, to avoid putting it to the test.

The history of the Bank's relationship with BCCI divides into three periods. First comes a phase when BCCI is newly established in the UK and the Bank is feeling its way as a newly-empowered banking supervisor.

This period is characterised by a failure by the Bank to grasp that it has the duty to supervise BCCI directly under the 1979 banking act, rather than merely treating it as a UK branch of a foreign bank. Just as seriously, it fails to react to early signs of problems at BCCI, particularly the decision by Bank of America to withdraw as a shareholder. Until this point, the Bank has been placing great store in Bank of America's role.

At around this time, also, the Bank learns of the scale of BCCI's exposure to the Gokal shipping empire. And it is aware of suspicions that BCCI has been financing the purchase of "a considerable tranche of its own shares". Yet it allows BCCI to obtain a deposit-taking licence in the UK.

The second period is one of drift. Throughout the 1980s, the Bank is repeatedly told that there is something seriously wrong at BCCI and that the group's principal supervisor, the Luxembourg central bank, is unable to guarantee adequate supervision. There is a long internal debate inside the Bank about what to do. Papers are drafted, redrafted, submitted, discussed. Initiatives are started, falter, fail. Little of substance results.

Real crisis

Meanwhile, at BCCI there has been a real crisis: the treasury operation, which has been trading actively in financial instruments and commodities, has lost hundreds of millions of dollars. Some Bank officials think BCCI's managers are reckless (and therefore presumably not "fit and proper persons" to be entrusted with the stewardship of a deposit-taking institution).

Others think this is a bit strong – but, says Bingham, "none thought the BCCI management had been other than seriously imprudent". Yet they fail to seize the moment, tending "to lose sight of their primary duty to protect the bank's UK depositors".

The third period – from the late 1980s to the bank's closure in the summer of 1991 – is the most frenzied. Price Waterhouse, by now BCCI's sole auditors, discovers bad banking on a breathtaking scale, and clear signs pointing towards management malpractice. At the same time, the Bank is receiving a number of other warnings, from people who should have been listened to.

Throughout this period, information does not flow as it should within the Bank and between it and the outside world. At the last, revelation of the scale of BCCI's fraud comes as a terrible shock to officials within the Bank who should have been aware of it months before.

Problem of culture

The weaknesses Bingham describes are mainly a problem of culture. The report describes the Bank's officials as "rather easily deterred"; they shy away from the risk of public criticism; they repeatedly make an "inadequate supervisory response"; they are apparently more concerned about preserving the convention that "the world attends on the Bank" than in visiting Abu Dhabi to meet BCCI's shareholders.

The Bank, as an institution, on several occasions fails "to measure up to the task". Middle-level supervisors fail to pass information on to their seniors; their seniors fail to tell the Board of Banking Supervision – the apex of the Bank's supervisory structure – of vital warnings.

The board itself asks the right questions, and at times tries to kick the machinery into more forceful action; yet because it is starved of information, it fails to enforce a change of course.

One solution to a cultural problem is to change the people who embody the culture. The Bank's most senior executives have decided against personnel changes, which increases the need for a cultural transformation. Without it, the Bank's new legal and investigative units may well prove ineffective. The next governor, who will succeed Mr Robin Leigh-Pemberton sometime next year, must be someone prepared to seize the Bank with both hands, and shake it soundly.

Stalling of Russian reform

THE TENSIONS which have been building up within the Russian legislative and executive structures are now boiling over. Ministers are warning of coups, the parliamentary speaker talks of threats to his life, the parliament prepares to overturn the government and the president talks of future constitutional chaos. Some of this is the hyperbole attendant upon Russian political life. But much of it is real in substance, even if the forms can look like comic-opera.

The battle lines which have been drawn are shifting: but the issues around which the struggle is intensifying are clear enough.

Economic reform, of the kind advertised a year ago by President Boris Yeltsin and Mr Yegor Gaidar, the acting prime minister, is largely stalled. Mass unemployment and even more rapid falls in production have meant that enterprise restructuring has not happened. Two weeks ago Mr Gaidar promised a return to a tighter monetary policy. There is, as yet, no sign of that either.

It is not, however, true to say that the government has executed a U-turn; rather it is wallowing in a trough in which the old policy has not been abandoned, but no new one explicitly adopted. At one extreme, the communist/nationalist opposition calls for a restoration of the administrative-command system. The centrist case, put forward by General Alexander Rutskoi, the vice president, and Mr Arkady Volsky, the leader of the industrialists' union, is for a "Chinese variant": a strong state, which probably would have few pretensions to democracy, and a controlled infusion of capitalist relations. Mr Gaidar poured scorn on this, reminding deputies that the Chinese model had no place for an institution like the one in which they were sitting, but Mr Yeltsin is not so sure.

In the political arena, the struggle is between the presidency and the parliament – with the presidentially-appointed government becoming more exposed as Mr Yeltsin shifts away from it. The parliament is not so much dominated by communists, as by people who have come under the influence of a national-populist mentality that rejects economic reform as a western imposition and a democratic state as weak.

Irrespective of his personal bent – which has not, in practice, been particularly authoritarian – Mr Yeltsin is being corralled into autocracy because neither his own nor any other of the new institutions of power has roots in civil society, which is itself only under construction. Thus the political struggle is personal, factional and ultimately lawless.

This gives Russian foreign policy a nervy edge. The emphasis now being given to the country's national interests impinges most obviously on the former Soviet republics. It is clear that the Soviet military is in the ascendancy in this sphere, successfully insisting on keeping armies in Moldova, central Asia, the Caucasus and, most recently, the Baltics, to guarantee the security of the Russian diaspora. Further abroad this is less clear, though the failure of efforts to broker a deal over the Kuriles shows that the nationalist current has set limits on what can be "given away". The scheduled negotiations with the IMF next month will reveal how far western assistance, meagre so far, is a factor in the reform process.

Russia is an unstable, poor, but massive and militarily powerful state surrounded by even more unstable and poor republics, in which the pressures released by the collapse of the old system have not yet produced law-governed market democracies. The sharp drop in foreign attention is dangerous, for the outcome of the struggles now going on is global in its implications.

The conference of the Group of Seven leading industrial countries on aid to the former Soviet states next week should be a forum for reassessing what can be done. The dilemma is a long-standing one: waiting for the Russian authorities to come up with a coherent programme of reform, before providing large-scale assistance, would ensure the failure of reform. Meanwhile, active engagement, with provision of sufficient funds to "buy" a tolerable transition for the economy, would not guarantee success. Yet to persist in choosing certain failure over an uncertain success must be folly.

Local lessons from Little Rock

Michael Prowse examines the successes and failures of Bill Clinton's policies during his 12 years as Arkansas governor

In the closing stages of the election campaign President George Bush is trying to win votes by convincing the public that Mr Bill Clinton has made a hash of governing Arkansas. The state ranks at or near bottom on almost every social and economic criteria, says Mr Bush. "He would do for the United States what he's done to Arkansas. We do not want to be the lowest of the low."

Arkansas is still one of the poorest states in the US. It ranks 47th in terms of income, ahead of only Mississippi, Utah and West Virginia. Per capita incomes are three-quarters of the national average, roughly the same ratio as in 1979 when Mr Clinton was first elected governor. But while the scale of Mr Clinton's achievement in Arkansas is disputed, the implication that he has done nothing right in 12 years is unwarranted.

Mr Clinton's first gubernatorial term was a failure. The youthful governor, then in his early 30s, charged in "like a knight on a white horse to set the world straight" recalls Ms Diane Blair, a campaign official and old friend. "He tried to do too much, too soon and stepped on just about every economic toe in Arkansas."

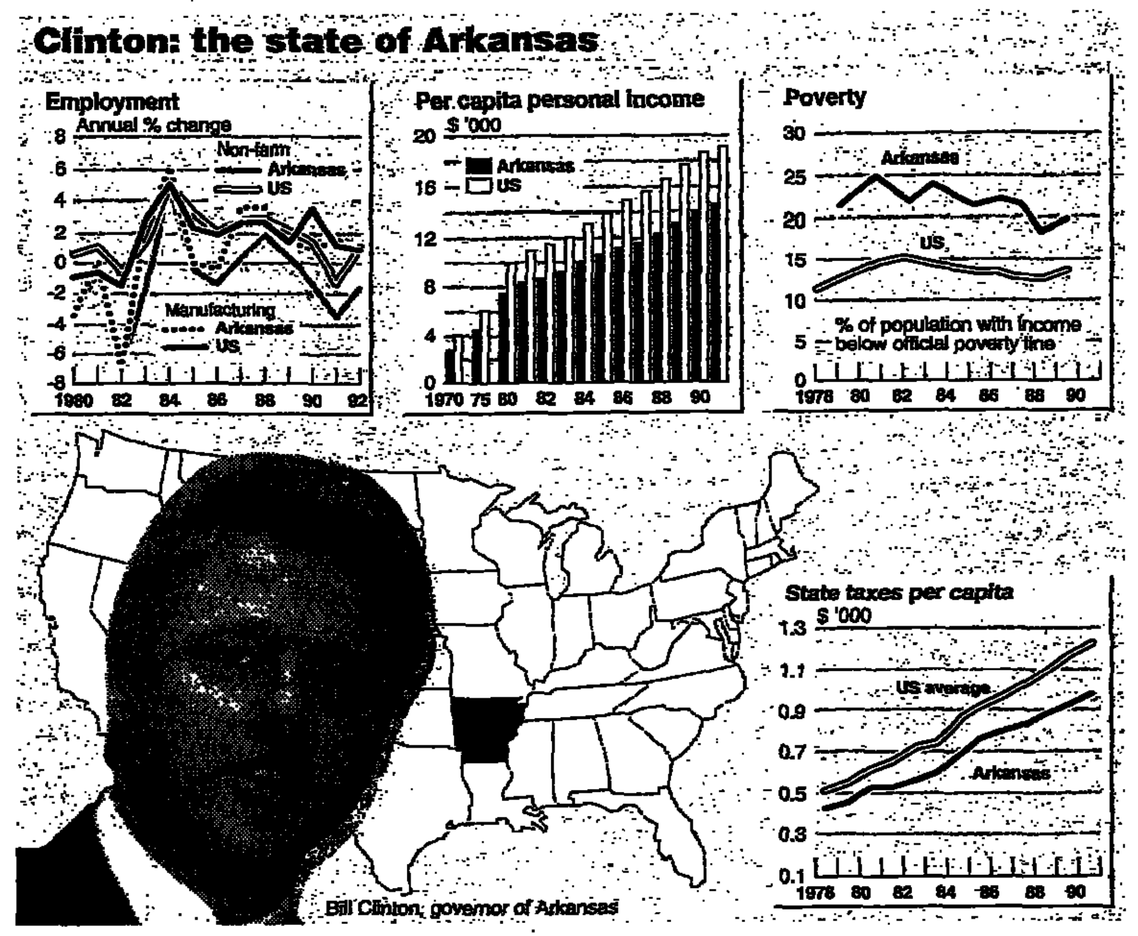
Defeat in 1980 by a Republican was a seminal event in Mr Clinton's life. He returned to the governor's mansion in 1983 a wiser politician, committed to consensus, rather than controversy, and convinced that he could make progress only on one or two fronts at a time.

The priorities he chose were economic development and educational reform. The statistics point to significant achievements in both fields. Mr Clinton has also been innovative in welfare reform, pioneering forms of "work-fare" that make benefits conditional on acceptance of jobs or skill training. But his record since 1983 can be criticised in many other respects. For example, he has relied too heavily on an unfair tax system, paid too little attention to the environment, failed to pass civil rights legislation, and done less than some other states to reform a poorly functioning health-care system.

In promoting industrial development Mr Clinton has struck a balance between free enterprise and government intervention. "I know Bill well enough to know he's fully committed to the free market," says Mr Warren Stephens, president of Stephens Inc, a financial services group based in Little Rock. Mr Stephens is backing Mr Clinton in the presidential race, having always previously favoured Republicans.

But while welcoming competition, Mr Clinton believes government must create an environment conducive to growth. His "hands on" approach was tested in 1985 when International Paper threatened to close down its plants in Pine Bluff and Camden, mill towns in southern Arkansas. "Clinton went nuts," says Mr John Brummett, political editor of the Arkansas Times. After hectic negotiations, he persuaded the company to expand its operations in Arkansas, but only after creating an unusually generous investment tax credit worth seven cents on the dollar.

Mr Dave Harrington, the head of Arkansas's Industrial Development Commission, says the state's goal is to forge a partnership between the private and public sectors. "We're in trouble in this country because many people believe government and business should be separated. Elsewhere there is a unity of purpose, a complementarity. Mr Clinton has brought a lot of that to Arkansas."



Bill Clinton, governor of Arkansas

The commission has targetted high-tech sectors, such as aerospace, in its bid to strengthen Arkansas's manufacturing base. Along with development agencies in other states it also energetically promotes inward investment, offering both tax incentives and special support services. "We guarantee to a company that we will tailor-train its workforce," says Mr Harrington. "We do whatever it takes, including, for example, sending workers to Germany for training."

The Arkansas economy has revived during the Clinton years, creating jobs faster than the nation, especially in the past three years. Manufacturing employment has grown about 12 per cent since 1980 compared with a 9 per cent contraction nationally, and accounts for about 20 per cent of employment against 15 per cent nationally. Some 109 foreign companies, including big names such as British Aerospace and Dassault, the French aerospace group, have sizeable investments in the state, three times as many as in 1979.

How much of this progress reflects active industrial policies is uncertain. Companies have also been attracted by Arkansas's low wages, weak unions and central location. During the Bush years, the state may have looked artificially strong because other regions experienced a hangover after the speculative excesses of the 1980s.

In the longer-term, Arkansas hopes that educational reforms will pay economic dividends. In the late 1970s Arkansas schools were widely regarded as among the nation's worst. On some measures they still lag badly: Arkansas ranks 25th out of 28 states using the American College Test, a popular college admission exam. This is a few places worse than in 1979.

Mr Burton Elliott, Arkansas's director of education, says the lack of improvement reflects a rise from 38 per cent to 51 per cent in the proportion of students attending college; many of the weaker pupils tested today would have been drop-outs a decade ago. But he readily concedes the benefits of many reforms are yet to be realised. "School improvement is a process, not an event; it takes time."

Mr Clinton's main schools legislation was passed in 1983, following a year of state-wide consultations led by his wife, Hillary. The measures included an increase in teachers' salaries, then the lowest in the US; tougher course requirements (many schools in rural areas had not previously offered advanced courses in maths, science or languages); a reduction in average class sizes; and regular testing of pupils to check progress.

In the past two years, Mr Clinton has built on this foundation with a "second wave" of reforms. He has encouraged more competition within the public sector by allowing students a free choice of schools and by making school districts publish "report cards" measuring their relative performance. Teachers' salaries have again been increased, rising by 14 per cent in the past year.

Mr Mahlon Martin, head of the Winthrop Rockefeller Foundation in Little Rock, says Mr Clinton's real achievement has been to change attitudes. A state that previously paid little attention to schooling has been persuaded that "the long-term solution to economic problems lies in a commitment to education". In a poor region, money speaks louder than words. Mr Clinton has repeatedly persuaded a sceptical legislature to finance educational reforms by big increases in sales taxes.

He has done so partly by taking on the teachers' unions. The 1 cent sales tax to finance the 1983 reforms was agreed only after Mr Clinton insisted on competence tests for teachers. Some 1,400 teachers lost their jobs, causing a rupture in relations between union leaders and Mr Clinton.

While grudgingly acknowledging some achievements, Mr Clinton's critics in Arkansas find plenty to complain about. "He has been a tax-and-spend governor who believes in intervention," says Mr Charles Venus, a Little Rock economic consultant with a free market bent.

"Within six months or a year" of entering the White House, a President Clinton would be pressing for a national value-added tax to pay for social reforms, he warns. The figures, however, hardly suggest that Mr Clinton has created a Leviathan in Arkansas: the ratio of state and local taxes to personal incomes is still the fifth-lowest in the nation.

Ms Meredith Oakley, a political columnist for the conservative Arkansas Democrat-Gazette, is even more scathing. "I'd rate him only average as a chief executive. It's not his vision that I have problems with, it's his ability to translate it into something worthwhile. Millions of Americans are going to be disappointed."

Mr Brummett of the Arkansas Times, while better disposed towards Mr Clinton, echoes her theme. "The bottom line is that he could have got a lot more done if he had pushed harder. He has a tendency to compromise quickly. He is obsessed with trying to please people."

Critics cite two instances where Mr Clinton has fallen short. The governor has repeatedly relied on increases in sales taxes which are "regressive" – in the sense that they inevitably absorb a larger proportion of the incomes of the poor than the rich. The excuse was that this was unavoidable because a three-quarters majority of the legislature is needed to pass an increase in income taxes. Mr Brummett and others, however, say Mr Clinton had the authority to insist on a fairer solution; he could at least have won exemptions for commodities such as food.

The environment is a second example. "He went for jobs, jobs, jobs when he could have been truer to his instincts," says one critic. Mr Clinton has been widely attacked for standing back while big companies, such as poultry producers, badly polluted Arkansas's rivers.

No governor who has served as long as Mr Clinton can avoid mistakes or expect to be free of controversy. But what general conclusions for a Clinton presidency can be drawn from his Arkansas record?

His belief in education as a vehicle for economic and social advance is hard to question. If elected, he would be certain to use the power of the presidency to promote this cause. Perhaps more surprising, he has just as solid a record in promoting business; he differs with many conservatives only in instinctively rejecting a laissez-faire approach. Rightly or wrongly, he is likely to regard his Arkansas record as evidence that active industrial policies can indeed "grow manufacturing jobs".

The biggest doubt lies over his toughness: will he have the determination to overcome the formidable interest group pressure blocking reform in Washington? One reason for optimism is Mr Clinton's remarkable ability to bridge social and economic gaps: it is striking, for example, that he wins 90 per cent of the vote in the poorest regions of Arkansas while also attracting enthusiastic support from the state's elite business leaders. If Mr Clinton wins this election, the White House will be occupied by a pragmatic moderate with a talent for building diverse coalitions. After the ideological infighting of the past decade this could prove a recipe for constructive change.

Search for security

Richard Waters on last-ditch efforts to reach an agreement on capital adequacy in the securities markets

The lurches in financial markets in recent weeks should give pause for thought to anyone who has deposited money in a bank.

True, most banks have made a small killing trading in the foreign exchange markets, at the expense of central banks (and taxpayers) across Europe. But how well protected are they against the shocks that can buffet currency or equity markets?

Not well enough, according to many banking and securities regulators. It is timely, therefore, that this weekend will witness the latest attempt to forge an international agreement on the minimum levels of capital needed by all banks, as well as securities houses, which operate in securities markets.

At its annual meeting in London, Iosco – the International Organisation of Securities Commissions, a grouping of securities regulators from more than 50 countries – will try to reach agreement on a capital adequacy regime which has already been under discussion for more than three years.

Banking regulators, under the umbrella of their own international club, the Basle committee on banking supervision, have virtually concluded their own deliberations in parallel talks. But given the way the issue has been stalled for much of this year, a final resolution may still be some way off.

The planned international agreement is not the first of its type. Banks' credit risks will be subjected to common capital adequacy rules from the start of next year, when the so-called "Basle accord" comes into force. This requires banks to hold capital equal to 8 per cent of their assets.

That, however, only catches part of each bank's exposures. Apart from the risk of loans going bad, banks also face possible losses from movements in interest rates, currencies and equity markets – the sort of market movements that can wipe out the value of a securities portfolio or leave foreign exchange traders nursing big losses.

Also, underwriting or trading in shares creates risks which are very different to those on loans. This is because the value of equities rises and falls on expectations of a company's future profits, movements which usually have no bearing on whether a company is going to repay a loan when it falls due.

These risks have risen sharply as banks have moved more aggressively into the securities business – in part, ironically, prompted by the higher capital costs imposed by the Basle accord on traditional banking business. Many bank regulators already have their own rules governing these exposures, but there is no internationally agreed approach to such capital requirements.

> **Such an international regime has already been under discussion for more than three years**

One man has been largely responsible for holding up agreement this year. Mr Richard Breeden, chairman of the US's Securities and Exchange Commission, is also chairman of Iosco's important technical committee. According to several people who have been involved in the discussions, it is his concerns which account for the delay.

Mr Breeden's objection concerns the amount of capital that securities companies must set aside to cover their risks on equities. At the start of this year, banking and securities regulators – Mr Breeden among them – agreed broadly on a 2 per cent requirement to cover the "specific" risk in shares (as distinct from the general risk of markets as a whole falling). Since then, though, the SEC has vacillated, pushing earlier this summer for a 4 per cent minimum capital level.

Securities companies claim such levels are unnecessary, given the sophistication of modern hedging techniques that limit the risks of holding securities. They would make the cost of doing business in the securities markets more expensive.

Any compromise that left the US with a 4 per cent rule and the rest of the world with 2 per cent would damage the US's position as a centre for international securities business, and could even drive trading in US securities off-shore.

If Iosco can't reach agreement, then it may have wrecked its chances of becoming a credible international regulatory body for good. The Basle committee has made it clear that it will release its own proposals for consultation soon, with or without the agreement of Iosco.

The organisation, created in the 1970s by the SEC to act initially as a pan-American agency, has never achieved the same international credibility as the Basle committee. Securities regulators in Anglo-Saxon countries such as the US and UK spend much of their time looking nervously over their shoulders at their banking counterparts, concerned that the gradual domination of the securities industry by banks will make their job redundant.

Taking the lead in the development of international capital adequacy rules has been Iosco's main chance of establishing itself on the financial map. If it fails to grasp this opportunity, then its hopes of acting as a leading force in the development of financial regulation around the world will come to nothing.

Joe Rogaly

View from down under

Rising backbench influence and policy retreats hold out little prospect of firm government

We now know the government's strategy. It is stark, and simple. It can be summed up in one word: survival. Mr John Major and his colleagues will do whatever is necessary to restore their authority, taking each day as it comes, defining the medium-term as the week after next and the long term as Christmas. The illusions of grandeur, the aspirations to making Britain the best in Europe at this or that, are in mothballs. We are in the hands of a prime minister who, as the little boy would feel obliged to point out, is adorned by fewer clothes than Madonna.

Nothing is settled. The excitements of the past week have got us precisely nowhere. Ten days ago there was a policy for the coal mines, and a strategy of sorts for energy. Today neither exists, and no one can say what will come in their stead. Forty days ago there was an economic strategy – to bear down on inflation by staying within the exchange rate mechanism. Today there is confusion: the announcements made so far constitute not so much a U-turn as going round in circles. There is still a European strategy – to ratify the Maastricht treaty. It is Mr Major's last wisp of apparel. It is not at all certain that it will be in place for much longer.

The plan to close 30 coal mines was first threatened, then derailed, by a parliamentary coalition between the Labour party, the Liberal Democrats, and a Churchill-led faction of the Conservative party. The government's retreat has subsequently been played out before our eyes. Last Friday evening there was talk of buying off the rebellion with a compensatory fund for retraining redundant miners. Nothing so cheap was on offer. On Monday the president of the Board of Trade, Mr Michael Heseltine, bid higher. There would, be said, be a moratorium on the closure of 20 of the threatened pits, pending investigations by his department. It looked as though the closure policy was not being withdrawn – it was merely to be phased in. That was a precipitous climb-down, but it was nevertheless insufficient.

On Tuesday the government upped the ante: the 10 pits apparently doomed by Monday's statement would be kept in order during the 90-day statutory review period, in case any could be reprieved. As to the other 20 pits, and energy policy in general, there would be two full reviews, one by the president himself and one by a parliamentary select committee. Under pressure, Mr Humbletine piled on hostages to the government's fortune. The economics of imported coal, and gas-fired generation, would be re-examined: in the end even

nuclear policy was put up for review. If the government is true to this week's promises it might even re-examine the electricity privatisation which produced the commanding duopoly that is so patently able to dominate the market. Theoretically, that too could now be changed.

In consequence, taxpayers could find themselves maintaining, by subsidy, a larger coal industry than is justified by market demand. To save the parliamentary day, Mr Heseltease goaded the Labour opposition into behaving like a gang of drunken schoolboys.

That united the Tories. Humbled Mr Heseltine may have been, but in the practice of pure politics he is still one of the few outstanding professionals in the administration.

The retreat from the counter-inflation strategy has been even more dramatic. Only a fortnight ago the prime minister spoke in Brighton as if the pursuit of low inflation was still the overriding objective. That lasted about a week. Under heavy political fire, interest rates fell by a full point last Friday. This Tuesday Mr Major, taking the concept of "open government" more seriously than previously thought possible, started to make economic policy pronouncements on television. He stressed growth on one news bulletin and forgot to mention inflation on another. Treasury officials must have found it relaxing to hear the prime minister's rapidly changing aspirations explained to them as they sat in the comfort of their own homes, watching the flickering screen.

I do not wish to be unfair. The economic question of the moment is whether we are on the brink of a global depression. No British government acting alone can do much about that. Mr Major is painfully aware of this. I am certain that what he *wants* is sustained non-inflationary growth, as he intimated in answers to parliamentary questions yesterday. Contrary to the mutterings in public bars and around City luncheon tables, he is not foolish. He is a politician of greater personal resilience than is generally acknowledged. His problem is that he is running out of political capital. He can no longer feel certain, as he did until September 16th, that with a full term in office ahead of him he could afford to play a long game, battering inflation down towards 2 per cent or less, in the knowledge that the recovery would come in time for the next election.

If the government caves in to the NUM, why not the nurses? If the nurses, why not disgruntled householders?

Worse, he has now lost both the affection of much of the electorate and his authority over much of his party. In such circumstances the prime minister's only political option is to speak stirringly of growth. "It is our intention to pursue a strategy that will bring recovery, with it growth, with it jobs and with it prosperity," he said in the house yesterday. "It is essential that that moves right to the centre of thinking in each and every aspect of Government policy..." As to inflation, he is merely keeping his fingers crossed.

What will happen next will be dictated by events. Take, for example, public spending cuts, which conventional wisdom says are needed to offset the inflationary effect of reductions in interest rates. If the cuts are serious, public sector pay increases must be held to two per cent or less. The Royal College of Nursing is at least as adept at playing on public sympathy as the National Union of Mineworkers. If the government caves in to the NUM, why not the nurses? If the nurses, why not disgruntled householders saddled with the new council tax? We are back to the old days, when proponents of every vested interest have good reason to try their luck.

This prognostication of continuing political impotence can be taken too far. Anti-Maastricht plotters are forgetting that the Labour party underpinned the government's defeat on the coal closure plan. Labour is more likely to abstain than to vote against a Maastricht ratification bill. It will nevertheless be a close-run thing, with the prize going to the side with the greatest parliamentary stamina.

The opposition is not about to help the government by voting to close off filibusters by Tory Europhobes who seek to talk the bill to death. Yet Mr Major must win, for if the bill is defeated, his own hold on office will become extremely tenuous. Within the Conservative party, a vote for Maastricht is becoming a vote for Major, and vice-versa. Heads will be counted when a debate on the principle of the matter is held on November 4th.

The most likely outcome is still a victory for the bill, and for Mr Major. On that assumption, we can take it that the prime minister will survive, battered but still in office, for long enough to be floated back to safety by an economic upturn – one day. That is the good news. The other half is that, politics being what they are, by-elections are likely to wear down the Conservatives' majority of 21. As his term lengthens, Mr Major will become more, not less, in thrall to the whims of his backbenchers. If firm government is what you are after, it is not a comforting prospect.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Building as a road to recovery

From Mr A J Gooding.

Sir, We employ more than 1,500 people in the electronics industry in the Rhondda and Aberdare valleys of south Wales and, to say the least, things are difficult. Fortunately, 30 per cent of our product is exported directly to EC countries and without that we would have been in more than extreme difficulties.

We, along with most industrialists in the UK small and large, are under more pressure then ever before. I wish to suggest a simple remedy that would start the economy back on the road to recovery and create world-wide confidence.

- The quickest way to create jobs and confidence is to get the house building sector moving again;
- Mortgage interest relief should be increased from £30,000 to £75,000 for a period of three to five years, subject to regular review; at the same time, mortgage tax relief should be increased from 25 per cent to 50 per cent;
- Building houses is the quickest way of creating male jobs in all sectors of the community – and no one can deny that there is an urgent need for more houses. This scheme should really be self-financing because the cost of tax relief to first time buyers will be more than offset by the reduction in the benefits currently being paid to unemployed construction workers.

A J Gooding,
chairman,
Gooding Group,
27 Park Place,
Cardiff CF1 3BA

Prosperity must be earned, and interest rates used realistically

From Mr Kenneth Wade.

Sir, Your various correspondents who have put forward proposals for reform of the UK economy have, with respect, missed the fundamental point: economic conditions are by and large the result of individual decisions not government decisions. National prosperity is simply the sum of the prosperity of that nation's citizens.

Our earning ability, as an individual, is determined by our skill, knowledge, and motivation. If most of us, as individuals, can honestly say that we are as productive, pound for pound or dollar for dollar, as our opposite number in France, Germany, Japan, Taiwan or the US, or wherever, then our long-term prosperity as a person or as a nation is assured.

The fundamental, long-term problem with the UK economy is that, taken as a whole, our aspirations as consumers outstrip our earning capacity as producers when compared with the citizens of many other leading economies.

Government may temporarily change the relative costs of home-produced and foreign goods, or the benefits of borrowing rather than lending, but no short-term measure will transform us into a nation of highly-skilled, highly-motivated, high-earning (and I do mean *earning*) people. Similarly, trade unions or industry pressure-groups may all too easily be tempted to try to stem the tide of change rather than accept and plan for a different and more difficult future.

However, the nature of the problem and the time-scale for recovery demand far greater levels of maturity and honesty than are usually credited by the electorate to politicians or politicians to the electorate. Gaze firmly fixed on the next election (or party conference) the politician pretends to have all the answers, thus conveniently relieving the rest of us of responsibility for the inevitable failure of palliatives.

The truth is that if we (yes, all of us) do not have the commitment and the strategy to improve our economic capacity relative to that of our trading partners, our decline will continue inexorably, the associated pain alleviated only briefly by those periodic bouts of inflationary euphoria to which we, in all probability, are yet again condemned.

Kenneth R Wade,
Eccleston Hall,
Lydiate Lane,
Eccleston, Chorley,
Lancashire PR7 6LY

From Mr S Carse.

Sir, In an otherwise commendable editorial "A New policy framework" (October 22) there is evidence of a continuing reluctance to view the efficacy of interest rate changes with consistency or realism.

What the experience of the period from late-1988 to mid-1990 illustrated clearly was that interest rate changes have a very slow impact upon inflation. Yet you speak of raising interest rates should wage inflation cease its decline.

Again, it is stated that rate increases could be needed within the new strategy should sterling collapse. But would not an absence of credibility, initially at least, in the new strategy neutralise the effectiveness of such manoeuvres?

I do not believe in any case that under the general strategy as espoused the problem would necessarily be one of need to raise interest rates. Rather that the resultant improvement in the British economy would lead to a strong appreciation of sterling against the currencies of the (declining) European countries by 1993, bringing with it the conflict of whether to use base rates to control domestic inflationary pressures, or to prevent any further increase in the exchange rate, the former requiring (arguably) higher interest rates, the latter rate reductions.

S Carse,
75 Cronk Coar,
Douglas, Isle of Man

Amortising goodwill

From Mr Michael Birkin.

Sir, Professor Arnold's excellent article on accounting for goodwill ("A new approach to valuation of the intangible", October 15) will, I believe, be broadly welcomed by industry, except in one regard – the requirements that "any goodwill capitalised should be amortised against profit over its useful economic life".

In fact, the Institute of Chartered Accountants in England and Wales report provides, I believe, for the value of certain assets such as brands to be reviewed periodically and does not require amortisation if it can be shown that there has been no decline in value. Conversely, if the economic life of the asset is indeterminate and there is no identifiable decline in value, the amortisation period can be infinite.

Michael Birkin,
group chief executive,
Interbrand Group,
40 Long Acre,
Covent Garden,
London WC2E 9JT

The broader arguments against means testing

From Ms Fran Bennett.

Sir, John Willman ("Means to a public spending end", October 19) concludes that "with pressure on public expenditure now growing, criticism of universal benefits is likely to become increasingly difficult to resist," and cites in particular child benefit and retirement pensions as candidates for the means test.

In the course of his article, however, he puts several cogent arguments against further means-testing – including its manifest failure to deliver benefits to all who need them and its negative impact on incentives to work and to save. But this does not exhaust the debate, of course.

Right-wingers, for example, have become increasingly concerned about the growing intrusion of the state into people's private lives which the spread of means-testing has already brought about. Means-testing child benefit and/or pensions would hit precisely those households on modest means whom Labour was concerned about when putting forward its own pre-election tax proposals. And means-tested benefits, in the context of a society which puts such a premium on individual economic success, are too often seen as a badge of failure, both by their recipients and by those who fund them.

If resources are tight, there are many forms of public spending – or foregone tax revenue – which would repay close examination before we get to "universal" benefits.

A society which used its social security system merely to relieve poverty once it had struck would have a distressingly narrow view of "welfare".

Fran Bennett,
director,
Child Poverty Action Group,
4th Floor,
1-5 Bath Street,
London EC1V 9PY

House prices still too high

From Jonathan Lewis.

Sir, While I agree with Barry Riley (The Long View, October 17) that "house prices are not low," Mr Riley does not go far enough. In 1979, before Lady Thatcher's first general election victory, a typical mortgage of under £20,000 was well within the £25,000 ceiling for mortgage interest tax relief. With higher basic rates of income tax in those far-off days, the interest on a typical mortgage received a 33 per cent tax subsidy. In 1992, only 60 per cent of a typical £50,000 mortgage is eligible for tax relief at a rate of 25 per cent.

Mortgage interest nowadays, therefore, typically receives a tax subsidy of around 15 per cent. I contend that the changed tax regime means that the house price:earnings ratio needs to fall to somewhere in the range 2.5-3.0 to be comparable to the historic average of 3.0-3.5.

House prices are still too high, by a factor of about 20 per cent.

Jonathan Lewis,
86 Slade Road,
Portishead,
Bristol BS20 9BB

Nobody was sacked at BT

From Mr Colin Browne.

Sir, In assessing public reaction to pit closures, Joe Rogaly asserts: "I do not recall any march of the gentry of Cheltenham over the sacking of BT employees..."

For the record, BT's big downsizing programme has been carried through on a voluntary basis, without sackings.

Colin Browne,
director of corporate relations,
BT,
81 Newgate Street,
London EC1A 7AJ

OBSERVER

One job too many?

■ "Don't ask me where I'll find the time," says David James, one of Britain's best-known company doctors, who now wants to add membership of the governing council of Lloyd's of London to his heavy caseload.

James already works 80 hours a week in his role as chairman of Lep Group, Eagle Trust and Davies & Newman. He has been a Name at the insurance market for ten years and currently trades £850,000 on the market.

He says that he "cottoned on" to the problems of the spiral reinsurance syndicates – which account for half of Lloyd's last reported loss of £2.06bn, and believes that many of the Names facing heavy losses were "totally ignorant of what they were getting into".

Tate and Lyle boss Neil Shaw, who is also chairman of the Association of Lloyd's members, says that he is impressed by James and his "no-nonsense grasp" of the issues now facing the insurance market. Hence the ALM is taking the unusual step of backing James for the one vacancy for an external member in this year's elections.

However, James already has more than enough to worry about without trying to advise Lloyd's on its problems. If British Airways does come to the rescue of Dan-Air, perhaps he may have more time available. But it won't have done his reputation much good.

Haute cuisine

■ When it comes to the cooking of food, UBS Phillips and Drew has won wide admiration with its executive dining rooms in London. But its parent, Union Bank of Switzerland, has gone one better.

At the quadrennial Chefs' Olympics in Frankfurt, two Zurich-based UBS chefs were in the Swiss national team which won four gold medals, one silver and a bronze, finishing second behind the Canadians.

UBS, otherwise a rather austere institution, makes no apology for such epicurean indulgence. Indeed, it prides itself on providing good food for all its staff. "We think it helps to keep them happy," a spokesman purrs.

Crossed off

■ So he was after all - awarded the military cross. Peter Phillips, joint liquidator for the personal estate of Robert Maxwell, divulges that he has himself set eyes on the thing - thereby silencing those unkind souls who had been inclined to doubt the late tycoon's claims regarding the official recognition accorded his war efforts.

Along with other possessions from the Oxford home, Headington Hill Hall – such as a single bottle of Chateau Mouton Rothschild 1945 – the cross will be sold at a public auction by Sotheby's on December 14. A portion of the proceeds from the sale will go to Maxwell's widow, Elizabeth. "But if she wants the cross she'll have to bid for it." Phillips explains.

Mint Kendall

■ Yesterday's ships-for-pizzas deal between PepsiCo and the Ukraine, bears all the hallmarks of 71-year-old Donald Kendall, one of the grand old men of US barter trade with the eastern bloc.

Kendall, who stepped down as Pepsi chairman six years ago, still remembers with pride Soviet prime minister Nikita Khruschev holding a bottle of Pepsi while engaging in his famous "kitchen debate" with US vice-president Richard Nixon in 1959. The incident marked the start of a long relationship between Pepsi and the Soviet Union.

He has known Nikolay Kulinich, head of Ukraine's state foodstuffs committee, for 20 years, while shipping magnate Per Arneberg, who will sell the Ukrainian-made vessels, is a neighbour in Greenwich, Connecticut.

Stitch in time...

■ Whitehall's home office, scarcely known for its generosity with information on anything whatsoever, seems peculiarly anxious that the FT should not be left in the dark.

One correspondent alone has been sent no fewer than 13 press releases reminding him that Britain's clocks are to be put back an hour at 2am on Sunday.

Swann talk

■ Amid all the fuss over the relationship between BBC chairman Marmaduke Hussey and Sir Michael Checkland, the BBC director general, it is worth recalling the advice of a former BBC chairman, the late Lord Swann.

Lord Swann, who died a couple of years ago, said that the director general should drive while the chairman be left to read the map. Many feel that the problem with Hussey is not his age but the fact that he has been doing too much driving and not enough map-reading.

One of the side-effects is that not enough thought has gone into making the key appointments to the corporation at a particularly sensitive time in its affairs. Pamela Taylor, the new director of corporate affairs, is an able recruit, but John Tusa steps down as managing director of the World Service at the end of the year and there is still no word yet on his replacement.

The powers that be at the BBC are thought to be keen to see a woman in the world service job – which helps explain why the names of Jenny Abramsky, editor of BBC radio's news and current affairs, and Patricia Hodgson, head of the planning and policy unit, are frequently mentioned. However, one other name being canvassed is that of Cheung Man-Yee, director of programmes at Radio and TV Hong Kong. She also happens to be chairing a Commonwealth Broadcasting Association conference in Botswana at the moment.

Perhaps Sir Michael Checkland has gone to check her out?

Tax Dodge

■ As usual it takes the Belgians to get things in proportion.

In all the fuss surrounding Madonna's book Sex – should it be banned, should it be bought – the Belgian customs and excise service is debating whether or not it should be classified as pornography.

If it is, it will still go on sale – but at a higher rate of value added tax.

FINANCIAL TIMES
Friday October 23 1992

Survey shows all key economic indicators fell sharply in last quarter

British business sees recession getting deeper

By Peter Norman and Emma Tucker in London

BRITISH business suffered a "deeply disturbing" slide into a second leg of recession last month and no quick turnround is likely, British Chambers of Commerce said yesterday.

Presenting a grim survey of more than 8,200 companies employing 1.3m people, Mr Christopher Stewart Smith, the organisation's president, said business confidence was "seriously undermined" and all UK regions were suffering either a slowdown or decline in output.

All the main economic indicators – sales and orders, employment, investment and confidence – fell back sharply in the third quarter, reversing a steady improvement in the UK economy over the previous 12 months.

Mr Stewart Smith warned that the outlook for employment was particularly grim. Fewer than one in five companies were operating at full capacity last month and a big majority of large manufacturing and service companies planned to shed labour in the current quarter.

Underlining the gloomy outlook, Ford, the motor manufacturer, said yesterday it would extend short-time working at Dagenham, its biggest British factory, by switching to a 2½ day week because of continued weak sales.

Mr Stewart Smith said: "Overall, we have seen a worsening of the external economic environment with depressed home and export markets, interest and exchange rate shocks, as well as economic and political instability. These are not the conditions for recovery."

He called on the government to restore business confidence through infrastructure investment, deregulation and export promotion. But he warned against a "dash for growth".

Stimulating consumer demand in the short term should not be the first priority, he said. Further cuts in interest rates from the current 8 per cent level were not necessary and could have a counterproductive effect on the value of sterling, pushing up import prices. The government should focus on stimulating exports and business confidence, he said.

The need for an improved UK export performance was highlighted yesterday by news that Britain recorded its third successive visible trade deficit of more than £1bn ($1.61bn) last month.

The deficit narrowed slightly compared with August but the Central Statistical Office warned the impact of higher import prices following sterling's devaluation had yet to have its full impact. Even so, import prices rose by almost 1 per cent, the sharpest monthly increase for two years.

Economists warned that Britain's trade position was likely to deteriorate over the months ahead as higher import prices pushed the current account deficit wider.

A 2 per cent drop in the value of exports last month was outstripped by a 2.7 per cent fall in imports which left the visible trade deficit at £1.06bn compared with £1.15bn in August. The Treasury blamed the drop in exports on sluggish world economic conditions.

The CSO said the trade picture had barely changed over the three months to September 30. The visible trade deficit grew slightly to £3.34bn in the third quarter from £3.19bn in the second quarter. The current account deficit, which reflects trade in services and certain transfer payments as well as trade in goods, increased to £3.04bn from £2.85bn.

Warned against a dash for growth: chancellor of the exchequer Norman Lamont (left) with agriculture minister John Gummer

Recession's second dip, Page 14

Bush talks of 'road map' for restoring links with Vietnam

By Jurek Martin in Washington

PRESIDENT George Bush said yesterday he had a "road map" for normalising relations with Vietnam and "significant progress" to that end had recently been made. But he questioned a published report that his goal was to achieve this by Inauguration Day in January.

In a TV interview he said it was "a major breakthrough" that officials in Hanoi last weekend showed a visiting US delegation 4,000 pictures and other documents relating to Americans held prisoner of war or missing in action during the Vietnam war.

But he added that "I need to know exactly how major" the breakthrough was. There would be no full normalisation of relations, including an end to the 17-year US trade embargo on Vietnam, "until I can say in total clear conscience" to the families of POWs and MIAs there had been a full accounting of the fate of their relatives. Mr Bush is to be briefed in the White House today by the US delegation, led by retired general John Vessey and Republican Senator John McCain, who spent 1967-73 as a prisoner of the Vietnamese.

Mr McCain said he recognised pictures of himself taken as he was fished from a lake near Hanoi after his aircraft was shot down. He added that he had seen no proof of live Americans still in Vietnam, an assertion that contradicts claims made at Congressional hearings this year that some are still being held.

The Los Angeles Times, quoting mostly Asian diplomatic sources in Washington, reported yesterday that the US "road map" involved a series of steps, some of which, including allowing group travel by Americans to Vietnam and the restoration of telephone links, have already been taken.

Among the next moves would be to permit US companies to sign contracts in Vietnam and open offices there. Assuming a full accounting of missing Americans, this could be followed by the ending of the embargo and, after a democratically elected government is installed in Cambodia, by the restoration of full diplomatic relations.

In the course of this process Vietnam would be allowed to borrow from the World Bank and the International Monetary Fund, thus moving forward its infrastructural reforms. Japan and France are among nations pushing the US to end its block on such credit. US commercial interests are also concerned they might lose out in competition for new business in Vietnam.

Mr Bush confirmed this approach by saying: "I'd like to see full relations ... and see that nation become democratic and to fit into Asia." But he went on: "We're not there yet." If Mr Bush loses the November 3 election, he would still be free to pursue this course before a new president takes over in January.

Bank of England censured

Continued from Page 1

committee has called Mr Leigh-Pemberton to give evidence next month.

Rejecting calls for extra compensation to BCCI depositors, in the UK, Mr Lamont said the existing depositor protection scheme had already paid out £50m ($81m) to about 9,000 people and the total could reach £85m. He said the US experience had shown the dangers of 100 per cent compensation schemes.

"It is very important that people should take a view about banks with which they deposit money," Mr Lamont added.

The Bingham report's criticism of Abu Dhabi stems from an incident in the spring of 1990, when Abu Dhabi's royal family was told by Mr Swaleh Naqvi, then BCCI's chief executive, that he had conspired in the misappropriation of $2.2bn of the royal family's funds from a BCCI offshoot.

However, Price Waterhouse and the Bank did not learn of this misuse of the royal family's money for nine months. Lord Bingham says: "There was no reson for not passing on the effect" of what Mr Naqvi had admitted.

Price Waterhouse was said to have missed a number of opportunities in early 1990 to give the Bank of England a detailed a picture of the huge BCCI fraud.

Nonetheless Lord Bingham's strongest criticism was reserved for the Bank of England. He said it should have investigated two separate allegations of wrongdoing at BCCI in early 1988 and was negligent in not investigating separate allegations made in November 1988.

The Bank was also wrong not to get more involved in attempts to rescue BCCI from collapse in 1990, and wrong in early 1991 to focus on the financial implications of reports it was receiving from Price Waterhouse rather than the implication that there was serious fraud at the bank.

Not only did Bank officials fail to understand the implications of what they were told by Price Waterhouse in 1991, but they also were wrong in not communicating all they knew to the Bank's governor and the Board of Banking Supervision.

Amato wins crucial vote over public sector restructuring

By Robert Graham in Rome and David Buchan in Paris

THE Amato government's efforts to curb Italy's huge public sector deficit received an important boost yesterday when parliament approved a law endorsing a fundamental restructuring of pensions, the health service, local government and the civil service.

Inefficiencies and waste in these four areas have been a principal factor in fuelling the public sector deficit, equivalent to over 10.5 per cent of gross domestic product and nearly triple the EC average. The reforms are expected to generate a third of the extra L93,000bn ($69.6bn) needed in the 1993 budget, with a cumulative effect thereafter.

The breakthrough in parliament was accompanied by welcome external support for the government's reform policies from the Organisation for Economic Co-operation and Development in Paris. The OECD took the unusual step of releasing parts of its annual report on Italy six weeks early, at the government's request.

The report concludes that "the stakes for Italy [in resolving its fiscal crisis] are currently higher that at any period since the second world war". Mr Philippe Huet, chairman of the OECD committee, said the report warned Italians they had "no alternative, whatever government is in power in Rome", but to follow the kinds of policies being put forward by Mr Amato. It predicted 1 per cent growth next year.

Against the background of this parliamentary vote, and with the lira holding reasonably steady around 880 to the D-Mark, senior government officials were predicting a lowering of the discount rate from 15 per cent. The reforms have been rushed through parliament under special procedures, having been first proposed in July. Deputies have approved the broad outlines; the executive now has 90 days to fill in the details.

The structural reforms will shake up the welfare state and put local and public administration on to a more managerial and accountable basis.

On pensions, the government was obliged to resort to a vote of confidence to speed the measure through. It is taking similar action to win approval for the rest of the 1993 measures, hoping in this way that L66,000bn of extra revenue and spending cuts will be approved within the next three weeks.

Pensions will come into line with the EC norm, with the retirement age being gradually raised for men from 60 to 65 and from 55 to 60 for women.

World Weather

		°C	°F
Ajaccio	F	16	61
Algiers	R	15	59
Amsterdam	F	11	52
Athens	S	25	77
Bahrain	S	28	82
Bangkok	F	33	91
Barcelona	S	15	59
Beijing	C	13	56
Beirut	S	24	75
Belfast	R	6	43
Belgrade	F	12	54
Berlin	R	6	43
Biarritz	C	13	55
Bombay	F	32	90
Bordeaux	C	13	55

		°C	°F
Boulogne	S	10	50
Brussels	C	9	48
Budapest	F	9	48
Buenos Aires	F	24	75
Cairo	S	28	82
Cape Town	F	18	64
Caracas	F	29	84
Casablanca †	C	18	64
Chicago †	S	7	45
Cologne	C	9	48
Copenhagen	R	3	37
Corfu	F	25	77
Dallas †	S	16	61
Dublin	Dr	7	45
Dubrovnik		–	–
Edinburgh	F	8	46
Faro	R	14	57
Florence	F	12	54

		°C	°F
Frankfurt	F	9	48
Geneva	F	9	48
Gibraltar	S	17	63
Glasgow	F	6	43
Helsinki	C	0	32
Hong Kong	S	27	81
Innsbruck	F	8	46
Inverness	R	6	43
Islamabad	F	27	81
Istanbul	F	23	73
Jakarta	R	32	90
Johannesburg	F	29	84
Lisbon	C	17	63
London	R	9	48
Los Angeles †	S	16	61
Luxembourg	C	6	43
Madeira	F	20	68
Madrid	F	12	54

		°C	°F
Majorca	F	18	64
Malaga	S	17	63
Malta	S	25	77
Manila	R	30	86
Melbourne	S	14	57
Mexico City	C	20	68
Miami †	C	24	75
Milan	S	14	57
Montreal †	F	0	32
Moscow	C	5	41
Munich	F	5	41
Nairobi	C	19	66
Naples	F	19	66
Nassau	C	28	82
New Delhi	S	29	84
New York †	S	7	45
Nice	S	17	63
Nicosia	S	25	77

		°C	°F
Oporto	C	14	57
Oslo	S	1	34
Paris	C	8	46
Prague	C	7	45
Reykjavik	S	2	36
Rhodes	F	29	84
Rio d'Janeiro	R	29	84
Rome	F	18	64
Salzburg	C	6	43
S'Francisco †	S	12	54
Seoul	C	18	64
Singapore	F	30	86
Stockholm	R	5	41
Strasbourg	C	7	45
Sydney	C	15	59
Taipei	C	25	77
Tangier	F	16	61
Tel Aviv	F	25	77

		°C	°F
Tenerife	F	21	70
Tokyo	S	19	66
Toronto †	C	1	34
Tunis	C	20	68
Valencia	S	17	63
Venice	F	14	57
Vienna	F	9	48
Warsaw	C	6	43
Washington †	S	6	43
Zurich	F	9	48

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

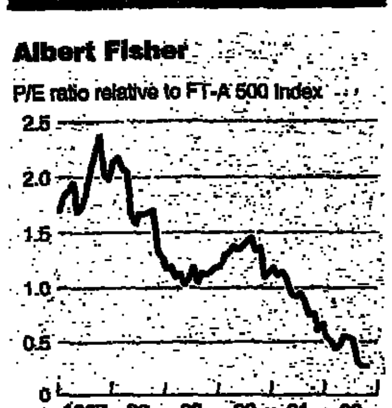
Trading losses

Trade policy developments rarely have much immediate impact on financial markets. Their long-run implications for economic growth are considerable, however, which is why the setback in the Uruguay Round is such dismal news. The $100bn annual boost to world trade arising from a successful round would, after all, constitute a 3 per cent increase: a welcome antidote to economic slowdown. Doubtless the insults will flow freely if the breakdown turns out to be irreparable. The US is far from blameless. But the European Community's determination to toe the French line has been still more destructive, even when viewed from the narrow perspective of its own economic interests.

While the US is at least set to enjoy the benefits of the North American free trade area and fast growth in the Pacific rim, the EC is struggling to cope with Maastricht uncertainty, and the economic ravages of tight German money. The combination of a stronger dollar and possible US economic recovery after next month's election has created export opportunities which might offset some of the domestic worry. The US takes some 17 per cent of EC exports to third countries, still a considerable share even though it has fallen from 21 per cent five years ago. But chances of export-led recovery in Europe would be jeopardised if the Uruguay Round collapsed.

Indeed, there is every chance that the US will turn up the heat in the transatlantic oilseeds dispute by imposing trade sanctions. Washington's hit list is heavily slewed towards products from Ireland, the home of the EC's farm commissioner, and France, which it views as the main culprit. Insofar as this involves wine and spirits, though, the penalty would partly be paid elsewhere, for example by Guinness through its LVMH connection and Allied-Lyons which controls Courvoisier.

FT-SE Index: 2658.1 (+12.4)



Albert Fisher

In retrospect, it is easy to see how the Albert Fisher magic worked. A company with a plausible line about European food integration and economies of scale issues highly priced paper to buy lowly rated fruit trading businesses. It also takes the precaution of deferring part of the purchase price through earn-out contracts. The result is electrifying earnings growth until the deferred cash payments come home to roost. And sadly, the business does not yield the growth or synergies required to feed investors' heady expectations. Hence the company's sliding rating relative to the market over the past five years.

Now the bubble has well and truly burst, the company will have a hard task generating the organic growth to replace acquisitions. The new chairman, Mr Stephen Walls, promises to tidy up and look for ways to increase value for shareholders. Even if he were to juggle assets with other food companies, the reconstituted sum seems unlikely to be worth more than the current parts. And it is difficult to place a high valuation on what looks more and more like a commodity trading company. Earthquakes, riots and hurricanes cut US profits last year, while near-perfect growing conditions elsewhere slashed European earnings.

Besides, the company's trading problems do not begin and end with freak conditions in 1992. Over-competition in fresh produce, partly caused by renewed South African exports, will keep downward pressure on world fruit prices. Meanwhile the last drop of net cash will drain out of the business this year on capital expenditure and earn-out payments. The worst may be over, but shareholders have little to look forward to.

Crédit Lyonnais/BfG

French companies so far have been more predatory than their neighbours when it comes to preparing for the single market. But the Napoleonic ambitions of Crédit Lyonnais are something special. Germany has been the big hole in the French bank's expanding European network, which is why it comes as little surprise to learn that negotiations are in hand to purchase a controlling stake in BfG.

The whole saga is delightfully continental. The so far unconsummated deal would appear to have been fixed earlier in the year as a condition of French insurer AGF's successful campaign to consolidate its grip on Aachener und Münchener Beteiligung. AMB has a 50 per cent stake in BfG. Everyone is allowed to emerge with credit – not least AMB which should exit cleanly if not profitably from a costly diversification. There is even the familiar prospect of minority shareholders getting a raw deal if AGF seeks to turn influence into control by acquiring Fondiaria's allegedly loose stake in AMB.

Crédit Lyonnais' move will presumably reinforce fears that the French bank is overstretching itself. But the insurance implications are perhaps more intriguing. For the moment AGF's German strategy seems to be more successful than that of its domestic rival UAP, which has not yet managed to wrest control of Colonia from Groupe Victoire. But the reality remains that two of Germany's top three insurers are effectively in French hands. It is easy to carp that the problems of unification may prolong the underwriting downturn in Germany until 1994 at least. But in Paris they might well retort that the race has been won before the official starting gun for a barrier-free Europe has even been fired.

Bank supervision

The Bank of England will have less excuse for dithering in the event of another BCCI now that it is to acquire the power to deny licences to banks whose structure is unduly complex or secret. Even without that power it could have acted sooner, as is manifestly clear from yesterday's Bingham report. Had it done so, depositors might have suffered smaller losses, but it would be wrong to suppose that the outcry would have been any less shrill.

The danger – amid all the undoubtedly justified recrimination – is that the public will conclude that perfect supervision can create a world where bank deposits are always free of risk. A deposit market which differentiates risk through pricing is a useful discipline on bank managements to whom the funds are entrusted. It only works, though, if depositors heed the message in the price, especially large ones like local authorities.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday October 23 1992

INSIDE

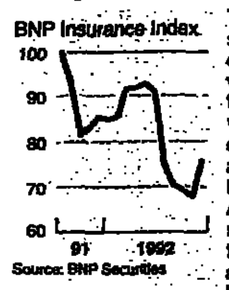
GKN expands in US to cope with demand

GKN, the UK car parts, engineering and industrial services group, is to expand its US car parts manufacturing activities. It is planning to increase its capacity for making constant velocity joints and driveshafts, the company's main driveline products, to meet an expected 60 per cent increase in sales during the next three years. Page 28

O&Y cancels debt meeting

Olympia & York, the troubled Canadian property developer, has cancelled a meeting it had called to discuss a new debt-restructuring plan with lenders. There are signs that negotiations between O&Y and its creditors will soon come to a head. Page 25

Europe's insurers revive



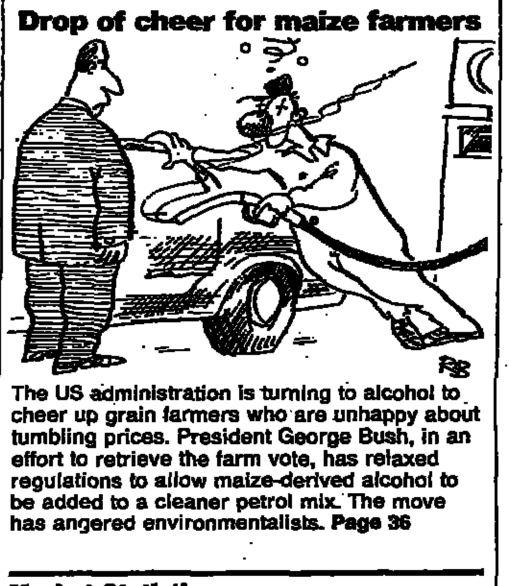
Source: BNP Securities

The European insurance sector is showing signs of life after a year in which it has underperformed the markets as a whole. Shares of French companies Axa, Assurances Générales de France and Union des Assurances de Paris rose around 10 per cent this week, while Royal and Sun Alliance of the UK and Sweden's Skandia were also up sharply. Back Page

Anglo American gold up 10%

Anglo American, the world's largest gold producer, lifted attributable profits at its gold operations by 10.3 per cent in the September quarter. Mr Clem Sunter, chairman of the gold and uranium division, attributed the improved performance to "good production results and some savvy hedging". Page 26

Drop of cheer for maize farmers



The US administration is turning to alcohol to cheer up grain farmers who are unhappy about tumbling prices. President George Bush, in an effort to retrieve the farm vote, has relaxed regulations to allow maize-derived alcohol to be added to a cleaner petrol mix. The move has angered environmentalists. Page 36

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)							
Rises				**Rises**			
Altana Ind	555	+	15	Immobanque	575	+	25
Colonia Knzn Pf	460	+	20	Matra	198.9	+	20.1
Falls				**Falls**			
Continental AG	194	−	7	Cred Lyon (CI)	432	−	20
IKB Deutsche	247.5	−	16.5	Hachette	104.6	−	24.4
Leifheit	360	−	15	Schneider	518	−	19
Rosenthal	232	−	10	Vallourec	118.2	−	10.7
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Amer T & T	41⅝	+	⅜	Inabata	1370	+	200
Convex Com	7⅛	+	¾	Jomo Twisting	287	+	33
Falls				Nikken Chemicls	1100	+	108
BankAmerica	41½	−	2½	Nikkiso	620	+	71
Gen Physic	5¼	−	1¾	Uni. Charm	1610	+	130
Salomon Inc	34⅛	−	3⅞	**Falls**			
Sears Roebuck	41¾	−	⅜	Tsukishima Kikai	1510	−	130
PARIS (FFr)							

New York prices at 12:30.

LONDON (Pence)							
Rises				MEPC	323	+	15
Alexandra Wkwr	86	+	12	ML Labs	985	+	35
Anglia TV	179	+	14	NatWest Bank	375	+	14
Assc Fisheries	145	+	23	Raine Inds	90	+	11
Baldwin	74	+	11	**Falls**			
Blue Circle	153	+	7	Boots	479	−	14
Castle Comms	129	+	9	E Midlands El	371	−	16
Channel Hldgs	21	+	3	Land Sec	420	−	11
Cradley	26	+	4	Midland&Scot	30½	−	2½
Cray Elec	79	+	6	Monarch Res	64	−	8
Fairline Boats	200	+	40	NMW Computers			
GKN	414	+	18		18	−	23
Kenwood Appl	245	+	12				
Laing (J) A	190	+	12	Pepe	13	−	4

Salomon net income falls to $6m

By Patrick Harverson in New York

SHARES in Salomon plunged yesterday after the group announced a dramatic decline in third-quarter earnings that was primarily due to a huge drop in trading profits at its Wall Street securities subsidiary Salomon Brothers.

Lower investment banking revenues, and losses at Phibro, the group's oil trading and refining unit, also contributed to the poor earnings report, which sparked heavy selling of Salomon stock. By midday the shares were down $4⅝ at $33¾.

The results underlined Salomon's reliance on proprietary trading business and its vulnerability to market and interest rate volatility, and stood in contrast to the strong performance of other big securities houses.

Salomon reported net income for the July-to-September period of just $6m, compared with the $85m it earned a year ago and the $375m it earned before special charges in the second quarter. After paying out dividend requirements on preferred stock, Salomon made a loss of nine cents a share in the third quarter.

The chief cause of the huge slump in earnings at Salomon Brothers – where net income fell from $194m to $51m – was the 65 per cent decline in proprietary trading revenues to $215m. Although the firm would not say what was behind the decline, it is believed to have been related to fluctuations in US interest rates in the quarter.

Analysts suggested that at the end of last month, because of unexpected shifts in interest rates, Salomon was left sitting on a large paper loss in the complex fixed-income securities positions the firm holds for its own account. Mr John Keefe, an independent securities analyst in New York, said: "I suspect it's a very large pool of capital elaborately invested in bonds around the world."

It is still possible, however, that Salomon could recoup the paper losses incurred during the third quarter if rates move in the firm's favour over the next six to 12 months.

Salomon also suffered from a decline in investment banking revenues, which fell 18 per cent to $119m, and a large increase in group compensation and employee-related expenses, which rose sharply during the quarter to $370m. Phibro, meanwhile, reported a $34m pre-tax loss because of narrow refining spreads, poor world demand for energy products and flat oil trading markets.

Willett quits Isosceles, Gateway

By Maggie Urry in London

MR BOB WILLETT has resigned as director of Isosceles and chief executive of Gateway, its main trading subsidiary, in the latest twist in the tale of the heavily borrowed buy-out. Gateway was taken over by Isosceles in 1989 in a £2.1bn ($3.4bn) leveraged deal.

Isosceles said Mr Willett's departure was a step towards combining the boards of Isosceles and Gateway. It appears also to be an attempt to regain control of Gateway's head office in Bristol. One insider said yesterday: "It is not a happy ship and that is a factor which weighed with the board."

The group's banks were said not to have pressed for management changes, although Mr Ernest Sharp, chairman of Isosceles, said they supported them.

Mr Alistair Mitchell-Innes, chief executive of Isosceles and chairman of Gateway, will take on Mr Willett's role as well.

Mr Bob Nellist, finance director of Isosceles, will become deputy chairman of Gateway.

Mr Sharp said Mr Mitchell-Innes' first task was to go to Bristol and start a "very close review of the organisation and structure". There was speculation Isosceles may seek to strengthen the board further, perhaps by appointing someone with more retail experience.

Mr Mitchell-Innes, 57, was a non-executive director of Isosceles, and stepped into his present position when Mr David Smith, the previous chief executive, left last autumn. He was chief operating officer of the UK subsidiary of Nabisco Brands between 1984 and 1988. Earlier he worked at Unilever, and at Brooke Bond.

Mr Willett came in for criticism over Gateway's trading performance which has failed to meet budgets since the financial year began at the end of April. Mr Sharp said that business was tough, but that "the figures are not a million miles away from the ones we gave the banks in August" when a financial restructuring was being finalised.

Lenders to Isosceles, which owes more than £1.2bn, have been concerned by the group's ability to service its debt. A New York-based firm which trades in the debt of highly leveraged companies, said yesterday senior lenders to Isosceles had offered to sell at prices between 75 per cent and 80 per cent of face value.

Mr Willett has a contract until August 15, 1995 at an annual salary of £195,000 but his compensation has not yet been negotiated.

Background, Page 28

Big Blue decides small is beautiful

Louise Kehoe explains a revolution in culture and operations at the world's biggest computer company

If IBM is to recover its reputation as the world's best-run company, much hangs on the performance of one man: Mr Robert Corrigan.

Mr Corrigan, 52, with 30 years at Big Blue under his belt, is president of the seven-week-old IBM Personal Computer Company (IBM PCC) and he must reverse the big drop in PC sales, a prime cause of IBM's poor third-quarter results; and pioneer the group's newly decentralised management style, as a "federation of free-standing businesses".

"What we've begun here is far more than a restructuring, we are changing the culture of IBM, and changing it very quickly," Mr John Akers, IBM chairman, recently told employees. "Performance has already replaced conformance; entrepreneurship is quickly overtaking decision-by-committee; and teamwork is supplanting hierarchy."

The PC business was an obvious place for IBM to start. Founded in 1981 by a handful of IBM mavericks who developed the prototype for IBM's first PC product in only three months, the PC operation has always retained some of its rebel style.

Far from resisting change, employees of IBM PCC have welcomed the restructuring as an opportunity for the PC unit to "return to its roots" and throw off the Big Blue blanket that many feel has reduced its competitiveness.

The PC business also represented one of IBM's most pressing problems, as the dismal third-quarter results have confirmed. IBM has been losing market share to lower-priced PCs.

IBM PCC "is a slimmed-down company with a more efficient management system where decisions can be made and implemented more quickly", says Mr Corrigan. "It is an organisation with control over all elements of cost and expense and, most importantly, a company that brings together in one organisation all the skills necessary to create and deliver products to our customers."

"The [PC] industry is moving to shorter and shorter product development cycles," explains Mr James Cannavino, IBM vice-president and general manager of personal systems.

"Today, with the average industry cycle at six to eight months the boundaries between development and manufacturing and distribution must disappear."

The restructured IBM PCC will have total worldwide responsibility for product development, manufacturing and merchandising, promotion and distribution.

The new company's costs have been significantly reduced. It begins life with about 10,000 employees, down from the 15,000 who focused on IBM's PC products a year ago. It has also thrown off the yoke of corporate overhead charges for administration, research and development.

"Now, if we need some research activity we pay for what we need, and only what we need, at a fair market value," says Mr Ed Rogers, chief financial officer of the new company. The same applies to components purchases.

Mr Rogers can also set or change prices for IBM PCs. "A year ago, if we wanted to change a price, marketing would first make a request to the manufacturing and development people, then it would go to the North America management level ... The procedure once took weeks and sometimes months." Now that decisions are made without reference to committees, "it takes us just a day or two".

To inject entrepreneurial spirit into the new organisation, IBM PCC has formed "brand teams", focused on different segments of the PC market, ranging from consumers to corporate buyers.

"Large is no longer fashionable at IBM," says Mr Tony Santelli, who heads development of PS/1 products. "The prowess of IBM executives used to be measured by the size of their organisations. Now the feeling is that anybody can get the job done with 1,000 people, but only the superstars can do it with 100."

It is a measure of the cultural changes underway within IBM that members of Mr Santelli's PS/1 group have become almost folk heroes. Three years ago they were given the task of developing a "home computer". They took a non-conformist approach and set up shop in a disused warehouse in Lexington, Kentucky.

"We recruited [IBM] people who had the zeal to enter a great adventure, but they had to be willing to take a big demotion, to work in a windowless warehouse with no guarantees of success. We picked up battle-scarred veterans and bushytails who didn't know any better. It was a totally crazy bunch," Mr Santelli recalls.

The "blue-grass" team, as it became known, brought the PS/1 home computer to market in 18 months and although its first product flopped, the group set important precedents for the small-team approach and went on to develop the latest PS/1 which is a strong seller.

"You don't need the same communications processes or structures as you have in larger groups. There are no part-time players and rank has no privilege," says Mr Santelli, in what amounts to an heretical statement from an IBM executive.

Gone is IBM's preoccupation with ensuring that one of its products does not compete with another. Now "the cannibals are king", says Mr Santelli. "If we don't cannibalise our markets, our competitors will do it for us."

Yet for all of its enthusiasm, IBM PCC faces enormous challenges. The hard-driving entrepreneurial culture it is attempting to adopt is already native to many competitors. The "small" brand teams it has formed still appear huge compared with the lean and mean companies whose prices they must match – and the bureaucracy it has thrown off is foreign to most PC makers.

Competitors in the US say IBM PC has not affected their sales. None the less, IBM PCC's birth was well-timed. It comes as PC sales are booming. IBM PCC may also benefit from a strong trend away from the "no-name clones" made by little-known manufacturers.

With the launch of its Valuepoint product range, IBM PCC has laid all its cards on the table. Customer response to these products will be a key to fourth-quarter performance of the world's largest computer company – and a strong indicator of how successful IBM will be in restructuring its worldwide operations.

Focus on Big Blue

IBM

Personal computer history

- 1981 IBM launches its PC to lukewarm response.
- 1983 IBM dominates world PC markets with a 30% share.
- 1987 IBM launches new generation PS/2 personal computers.
- 1992 Market share falls below 20%. IBM announces IPCI, wholly owned subsidiary marketing PC clones under the Ambra name.
- 1992 IBM announces split off of its PC division as a separate operation.

Robert Corrigan
President of IBM
Personal Computer Company

PC shipments
Market share:

Western Europe Jan-Jun 1992 figures				US 1991 figures	
IBM	14.7%	Tandon	2.5%	IBM	18.7%
Compaq	6.3%	SNI	2.3%	Compaq	5.6%
Olivetti	4.9%	Hewlett Packard	1.8%	Packard Bell	3.7%
Amstrad	4.1%	Others*	46.9%	Tandy Grid	3.7%
Vobis	4.1%			AST	3.6%
Commodore	3.7%			NCR	3.0%
Toshiba	3.0%			Others*	61.7%
ZDS/Groupe Bull	3.0%				
ICL/Nokia	2.7%				

* Includes Apple
Source: IDC

GM board discusses post of chairman

By Martin Dickson in New York

GENERAL Motors appeared yesterday to be preparing to oust its chairman, Mr Robert Stempel, as the company's top outside director admitted that the board was discussing the future leadership of the troubled carmaker.

GM's non-executive directors are believed to be unhappy at the slow pace of the restructuring taking place under Mr Stempel. His removal would send a message of the urgency of change and could mark a more radical restructuring.

Mr John Smale, the non-executive director who heads the executive committee of the GM board, yesterday issued a statement in response to mounting press speculation that Mr Stempel would be asked to step down.

He said the board had taken no action about any management changes. However he added that "the question of executive leadership is a primary concern to the board of directors of any company and GM is no exception. The GM board of directors continues to carefully reflect upon the wisest course for assuring the most effective leadership for the corporation."

Significantly, the statement included no explicit words of support for Mr Stempel. It contrasted sharply with previous denials from GM spokesmen of moves to oust the chairman.

The board is thought to be undecided over who might best succeed Mr Stempel. One possibility is Mr Smale, the 63-year-old former chairman of Procter & Gamble, who last April led a coup by non-executive directors who were frustrated at the slow pace of change at GM, which clipped Mr Stempel's powers by removing him as head of the executive committee.

The non-executives also replaced Mr Stempel's right hand man, Mr Lloyd Reuss, as president and head of the troubled North American auto operations, with Mr John Smith, previously head of international operations.

Mr Stempel was admitted to a hospital in Washington DC last week suffering from high blood pressure. He quickly returned to work, but directors might use the illness as a pretext for his resignation. The next scheduled meeting of the board is in New York on November 2.

GM is expected next week to report third quarter losses of up to $850m due to the inefficiency of its North American car operations.

Albert Fisher declines to £52m in 'traumatic year'

By Andrew Bolger in London

A FALL in pre-tax profits from £89m to £52.1m ($84.9m) completed what was described as a "traumatic year" for Albert Fisher, the UK-based food processing and distribution group.

Mr Stephen Walls, who recently became chairman, said a review of the group had discovered no "black hole" in the balance sheet. However, trading suffered from depressed economic conditions and a glut of fresh produce in the second half.

Mr Walls took over in July from Mr Tony Millar, who built the group by acquisition into a stock market star of the 1980s.

Mr Millar stepped down shortly after a profits warning caused the shares to fall to 41p, compared with the previous year's peak of 133p. Yesterday the shares closed ½p lower at 41½p.

Mr Walls said he was aware shareholders had been given a rough ride and he was taking an unsentimental look at the whole group. The priority was to focus on organic growth, rather than acquisitions, although further infill purchases were not ruled out.

Group turnover grew marginally from £1.1bn to £1.18bn in the year to August 31. Pre-tax profits were cut by an exceptional charge of £10.01m – compared with a credit of £2m last time. The exceptional charge comprised £6m of restructuring costs in Europe and the US, and a £2.5m writedown in the value of certain assets. The remaining £1.5m of redundancy costs includes Mr Millar's pay-off, to be detailed in the annual report.

An extraordinary debit of £10.27m covered losses from the disposal of Holco, a Dutch mushroom and asparagus bottling plant, and other mushroom-related activities.

Mr Walls said that, having cleaned out the balance sheet, he did not anticipate further exceptional or extraordinary charges in the current year. The group's net cash at the year-end fell from £70m to £30m.

Earnings per share fell from 10.02p to 5.6p. The final dividend of 1.9p (up from 2p) maintained the total at 3.75p, even though dividend cover fell to 1.5 times. This was said to reflect the board's confidence about the future and the group's strong cash position.

Mr Walls said: "The actions currently under way should generate better performance than the levels seen in the second half of 1992."

Lex, Page 22;
Details, Page 28

Cheap steel imports push Usinor Sacilor into loss

By William Dawkins in Paris

USINOR SACILOR, the world's second largest steelmaker, yesterday announced a sharp swing to a FFrs360m ($70.5) net loss in the first half of the year, which it blamed on weak demand and a fall in prices, worsened by "massive" cheap imports from eastern and central Europe.

The French state-owned group complained that the European Community market was being swamped by imported steel at prices "incompatible with the rules of fair competition".

To make matters worse, the devaluations of the British, Spanish and Italian currencies forced Usinor Sacilor to slash its margins in those markets to compete against the lower prices offered by local producers. The group said net losses in the current half were set to be "very distinctly" worse than in the first six months.

The loss, which followed a FFr3.1bn deficit in 1991, the first for four years, compares with a FFr875m profit in the first six months of last year. Interim sales fell by 6.5 per cent to FFr48.11bn from FFr51.44bn. Operating profits dwindled to FFr144m from FFr1.09bn.

Flat products, like steel sheet for the motor industry, were profitable, as were engineering steels and stainless products. But there were losses in long products, like beams and wire for the construction industry. Usinor Sacilor was running down stocks and cutting back on working capital in an attempt to adjust.

The company said the outlook was gloomy. Demand had fallen sharply in the current half, driving prices down.

Like several other European steelmakers, the group has cut production in line with the fall in demand. This has centred on Sollac, the flat products unit, which is to trim output by 20 per cent over the final quarter, compared to the same period of last year.

Usinor Sacilor is in the forefront of attempts by Eurofer, the EC steel industry grouping, to obtain European Commission help for "improved functioning of the internal and external market". Among others, the company wants more help from the commission in attacking the recent rise in US steel import duties.

Currency movements boost sales at Sandoz

By Paul Abrahams

SANDOZ, the Swiss chemicals and pharmaceuticals group, reported a 9 per cent increase in sales to SFr11bn ($8bn) for the first nine months to September 30. The result benefitted from favourable currency movements.

The sales increase was satisfactory given the recessionary pressures, the turbulence of the European monetary system and the dollar's weakness, the company said.

The group expects an increase in profits for the first nine months because of innovative products and strict cost management.

Mr Raymond Breu, group treasurer, said staff levels would continue to fall at the Basel headquarters. Hundreds of jobs have already been cut in the chemicals division.

The pharmaceuticals and nutrition divisions' manufacturing operations in Europe were being rationalised, said Mr Breu. A plant was being built in Ireland which has a favourable tax regime. Some European nutrition plants could also be shut, he added.

All divisions improved their revenues. The largest, pharmaceuticals, increased sales 10 per cent from SFr4.69bn to SFr5.17bn. The group said the growth of its new drugs Lamisil, an anti-fungal, Sandostatin, a cancer treatment, and Lomir, a blood pressure medicine, had been particularly gratifying.

The nutrition business, which includes Ovaltine and Wasa crispbread, increased sales by 20 per cent from SFr1.12bn to SFr1.35bn.

The chemicals division increased sales 5 per cent from SFr1.78bn to SFr1.87bn in spite of difficult market conditions, said the company. Agrochemicals increased sales 2 per cent from SFr949m to SFr970m, although in local currencies there was a 1 per cent decline. Seeds increased 9 per cent from SFr801m to SFr876m.

Efim creditors to give plan verdict

By Haig Simonian in Milan

FOREIGN bank creditors to Efim, the Italian state holding company put into liquidation in August, will today give a preliminary judgment on the government's plan to repay all the debts of the group and its wholly-owned subsidiaries.

Though welcomed in principle, bankers have expressed caution ahead of details of the government's proposals. Though some had hoped to find fuller information in the decree published earlier this week, it shed little light on how creditors will be treated.

"In principle, it's a good thing," said Mr Guido Rosa, the chairman of the foreign banks' association in Italy. "But there are so many things yet to be defined that all options are open."

Bankers want to know how much of Efim's debts the government intends to repay in cash. They would also like to know how the remainder, probably in the form of bonds, will be paid. An earlier proposal to offer bank creditors lira and Ecu bonds at interest rates well below market rates aroused protests.

"We want to know what sort of bonds the government will issue, the interest rates and maturities," said one banker. "And many lenders are concerned about the treatment of loans to subsidiaries of Efim, like the Agusta helicopters group, which are not 100 per cent owned by the parent company."

Bankers will be able to discuss the matter at a November 3 meeting with Mr Alberto Predieri, the special administrator running Efim.

Further information could emerge around mid-month, when the government is expected to disclose how the group will be restructured, while the treasury itself may also issue further technical details on the treatment of creditors.

The government has already revealed preliminary plans to break up Efim's industrial activities. Siv, its big glass making subsidiary, is to be auctioned. The company could interest a number of Europe's leading glass producers.

Efim's aerospace and defence businesses, concentrated in Agusta and Oto Melara respectively, will be transferred to the IRI state holding company on a fiduciary basis, pending an eventual sale. The two companies, whose debts will be assumed by the government, are likely to come under the wing of Finmeccanica.

Dassault tumbles 43% at midway

By Alice Rawsthorn

DASSAULT Aviation, the French fighter aircraft and business jet group, suffered a sharp fall in profits during the first half of this year.

The company reported a fall in net profits of 43 per cent from FFr193.8m in the first six months of 1991 to FFr111.1m ($21.7m) in the same period of 1992 on sales which rose by 4.1 per cent to FFr6.48bn.

Dassault has sustained a sharp contraction in turnover since 1990, when it made sales of FFr16.7bn in the full financial year. Its turnover fell to FFr14.35bn last year and, according to the company, should rise to around FFr15bn this year.

Mr Serge Dassault, chairman, recently announced that the group had secured orders with a value equivalent to three years' revenue. Dassault yesterday confirmed that the orders received in the first half of the year were worth FFr5.29bn.

However, the company said that it did not expect the flow of orders to continue at the same pace in the second half. Dassault has invested heavily in two long term projects – the Rafale aircraft designed for naval and ground attack and the Falcon 2000 business jet.

● Rhône-Poulenc Rorer, the pharmaceuticals subsidiary of the Rhône-Poulenc chemicals group, saw net profits rise by 29 per cent from $201.9m to $261m in the first three quarters of the year. This has fuelled an increase in earnings per share from $79.9 to $90.6 over the same period.

Norwegian shipowner turns in sharp slide

By Karen Fossli in Oslo

LEIF HOEGH, one of Norway's biggest shipowners, suffered a slide in nine-month profits to NKr135m ($22m) from NKr454m in the same period last year. The result stemmed from a weak dollar and poor markets for tankers and dry bulk carriers.

The performance was far below average analysts' forecasts of a profit of around NKr200m, but the group said it was satisfactory in light of prevailing market conditions.

Freight income in the first nine months of this year fell by NKr125m to NKr1.58bn as operating expenses rose by NKr86m to NKr362m. Last year's comparative figure for profits included a NKr154m gain on the sales of ships but no gains were registered during this year.

Leif Hoegh forecast operating profit for the year to reach NKr300m, substantially down from NKr694m in 1991.

● Vard, the Norwegian cruise-ship and ferry owner, saw losses for nine months fall to NKr8.6m ($1.4m) from NKr62.6m last year, helped mainly by growth in ferry traffic and a decline in operating expenses. Group operating revenue remained steady at NKr4.113bn compared with NKr4.114bn last year.

DAF defers preference dividend

By Kevin Done, Motor Industry Correspondent

DAF, the Dutch commercial vehicle maker in which British Aerospace has a 16 per cent stake, is deferring payment of a dividend in 1992 on its convertible cumulative preference shares.

The move, announced yesterday, caused a sharp drop in the heavily loss-making group's share price which hit an all-time low, with the ordinary shares falling 14.8 per cent to Fl 11.5 from Fl 13.5, while the preference share price dropped 13 per cent to Fl 12.

Daf said yesterday that the management board believed that it was "not in the interests of the company to make a dividend payment at present in view of today's circumstances". The dividend was due to be paid on November 1.

The company raised Fl 250m ($132m) through an issue of convertible preference shares in September last year to bolster its battered balance sheet.

The preference shares are supposed to pay a cumulative dividend of 10.5 per cent per year and must be converted into Daf ordinary shares in four instalments from June 1, 1995 to June 1, 1998.

Daf is in its third year of heavy losses in the face of the steep recession in the commercial vehicle industry in the UK, its most important market.

It cut its net loss significantly in the first half of the year, however, to Fl 97.4m from Fl 179.1m in the corresponding period a year ago.

Daf is still holding talks on forming a "strategic alliance" with Mercedes-Benz, the world's leading truck maker, including the possibility of the German group taking an equity stake, while at the same time it is seeking additional loan funding of Fl 210m in credits backed by the Dutch and Belgian governments.

SCA earnings slump by 96%

By Christopher Brown-Humes in Stockholm

SCA, Sweden's second largest forestry group, experienced a sharp slump in profits in the first eight months as adverse market conditions continued to hamper the performance of its traditional forest industry products.

Earnings after financial items fell 96 per cent to SKr62m ($11m) from SKr1.54bn a year earlier, as sales slid to SKr21.1bn from SKr22.2bn. Restructuring inflated earnings in the first eight months of 1991 by SKr501m.

Mr Sverker Martin-Löf, SCA chief executive, said prices for sawn timber, pulp, linerboard and paper were "exceptionally low". The impact was exacerbated by Finland's November 1991 markka devaluation.

Aéroports de Paris more than doubles first-half net

By Alice Rawsthorn in Paris

AEROPORTS de Paris, which runs the Charles de Gaulle and Orly airports, has recovered from the disruption caused by the Gulf War and more than doubled net profits in the first half of the year.

During the first half of last year the Paris airports, like those in other capitals, were badly hit by the dramatic decline in air travel for the duration of the war.

However, the market has since recovered and, despite the economic slowdown, which has had a strong effect on business travel, Aéroports de Paris managed to increase net profits by 138 per cent to FFr215.1m ($42m) in the first six months of 1992.

The number of passengers using its airports rose by 5.1 per cent overall compared with 1990, the year before the Gulf War. However, this reflects a sharp increase of 9.7 per cent in international passenger traffic and a decline of 2 per cent in the domestic market.

Paris is one of the few European capital cities to have experienced an increase in international tourism this year, partly because of the opening of the EuroDisneyland theme park in April.

Aéroports de Paris saw turnover rise by 17.2 per cent from FFr2.37bn to FFr2.78bn in the interim period while operating profits shot up by 50 per cent from FFr330.8m to FFr495.5m.

SBC drops 8.4% at nine months

SWISS BANK Corporation yesterday said its pre-tax operating profit fell 8.4 per cent to SFr1.51bn ($1.12bn) in the first nine months of the year against the same period last year, AP-DJ reports from Zurich. The result excluded extraordinary gains.

Despite the lower dollar, third-quarter operating income rose 5.2 per cent over the same period in 1991, the bank said, without providing figures.

Talks continue on sale of BfG stake to French bank

TALKS over the sale of a majority stake in BfG Bank, Germany's sixth biggest bank, to Crédit Lyonnais, one of France's biggest banks, have been adjourned until next week after a day of "constructive" negotiations in Frankfurt yesterday, writes David Waller in Frankfurt.

A short statement from Aachener und Münchener Beteiligungs (AMB), Germany's second biggest insurance company and owner of a majority stake in BfG, said last night that Mr Jean-Yves Haberer, chairman of Crédit Lyonnais, would meet again with Mr Wolfgang Kaske, AMB chief executive, next week, and with Mr Hans Matthöfer, head of the BGAG German trades union holding company which is BfG's other shareholder.

See Lex

Dow Chemical falls 35% despite advance in sales

By Karen Zagor in New York

THE depressed state of the US chemicals industry was reflected in the third-quarter results of Dow Chemical, the second biggest US chemicals company, which suffered a 35 per cent decline in net income in spite of a 6 per cent improvement in sales.

Net income for the quarter was $145m, or 53 cents a share, on sales of $4.75bn, against earnings of $223m, or 82 cents, *on sales of $4.5bn last year.*

Although the earnings were near the bottom of expectations, Dow added $⅞ to $55⅛ *in mid-session NYSE trading* yesterday.

Its operating income improved 9 per cent to $446m in the *quarter*, but net *income* was hurt by increased financial expenses and a higher tax rate.

The industry's continuing woes were *underscored* by Mr Enrique Falla, executive vice-president, who said: "The combination of a sluggish recovery in the US economy, a severe slowdown in Europe and weak industry fundamentals globally have denied us the pricing flexibility to restore profit margins in basic chemicals and plastics."

Dow, which had hoped to return to earnings growth during the *second half of this* year, now expects a delay in regaining its earnings momentum.

Similarly Monsanto, the Missouri-based chemicals company, saw third-quarter net income drop in spite of higher sales.

Monsanto's net income tumbled 53.4 per cent to $62m, or 51 cents a share, from $116m, or *91 cents, last year, while* sales grew 3 per cent to $1.88bn from $1.82bn.

The company said its revenue figures do not include Fischer Controls, which was divested in October and is now accounted for in discontinued operations.

Operating income from the chemicals business fell to $43m in the quarter from $77m, although sales rose to $923m *from $895m.*

The company's Searle pharmaceuticals business had a lacklustre performance, with *operating income of $39m*, against $38m last year on sales which rose to $405m from $362m.

Income from the NutraSweet artificial sweetener business fell to $21m from $44m.

● Occidental Petroleum, the energy group, *saw third-quarter* net income tumble to $61m, or 20 cents, from $171m, or 56 cents, a year earlier. Sales were flat at $2.3bn.

The latest quarter included a one-time loss of $8m, or 3 cents a share, while last year's results included one-time gains of $75m, or 25 cents a share.

USAir narrows deficit to $55.4m

By Karen Zagor

USAir Group, the US airline in which British Airways wants *to invest $750m for a big* minority stake, narrowed its third-quarter net loss to $55.4m, or $1.45 a share, from a *deficit* of $81.4m, or $2.06, last year.

The company also reduced its operating loss in the three months, to $35.7m from $45.4m. Revenues advanced to $1.7bn from $1.6bn.

Although the results were *better* than the $1.61 a share analysts had expected, shares of USAir were unchanged at $11⅝ yesterday morning.

Mr Seth Schofield, chairman and chief executive who had blamed domestic fare wars for the group's weak second quarter results, said there was evidence of fares returning to "more compensatory levels".

Mr Schofield also said operating costs had fallen in the third quarter largely thanks to cost reduction programmes which came into effect this year.

The quarterly loss at the airline subsidiary also narrowed, *to $58.3m, on revenues of* $1.6bn, from $74m, on revenues of $1.5bn the previous year.

Its operating loss stood at $44.5m in the quarter against $53m a year earlier.

The passenger load factor stood at 65.4 per cent, up from 60.7 per cent last year.

For the first nine months, the group suffered a net loss of $203.3m, or $5.16, against one of $306.9m, or $7.40. There were fewer shares outstanding in the 1991 period. Revenues rose to $5.1bn from $4.8bn.

The airline subsidiary had a net deficit of $191.1m in the *first nine months of 1992 on* revenues of $4.7bn. This compares with a deficit of $284m on revenues of $4.5bn last year.

O&Y calls off meeting with lenders

By Bernard Simon in Toronto

OLYMPIA & York has cancelled a key meeting with lenders to discuss a new debt-restructuring plan, amid signs that negotiations between the *ailing* real estate developer and its creditors will soon come to a head.

Despite calling off the meeting which was due to take place in Toronto yesterday afternoon, O&Y still insists that it will meet the October 27 deadline for filing its latest restructuring proposals.

O&Y took the initiative in setting up the meeting, but a representative for one group of project lenders said they were told that the company was not yet ready to provide a preview of the plan, which covers more than half its C$13.5bn (US$10.9bn) debt.

Negotiations with several of the 27 creditor groups came to a halt over the past 3 to 4 weeks, but are expected to resume in earnest once O&Y unveils its revised proposals.

The initial plan, presented in August, would have required most project lenders to accept a blend of extended maturities on their loans, and tax-exempt "distress" preferred shares. Other secured and unsecured creditors would be offered an immediate equity stake of up to 49 per cent in the parent company, Olympia & York Developments, plus convertible bonds.

Under an Ontario court order, O&Y must take a vote on any revised plan between November 20 and 30. The court protection granted last May expires on December 30.

Several creditor groups are laying the groundwork to seize rental income from O&Y buildings or the buildings themselves if negotiations founder over the next month.

Prudential Insurance, which holds a US$155m mortgage on a 45-storey building in central Toronto, has asked a US court to reverse last May's order granting various of O&Y's Canadian subsidiaries protection under Chapter 11 of the US bankruptcy code, as well as under the Canadian Companies Creditors Arrangements Act.

A Prudential spokesman said the insurance group is concerned about the "inconsistency, delay and confusion" which could result from courts in two countries having jurisdiction over O&Y.

He said that if O&Y's restructuring plan turns out to be unacceptable, "we'd rather have the building now than later".

AT&T turns in record income

By Martin Dickson in New York

AT&T, the US telecommunications giant, yesterday reported a 16.1 per cent rise in third-quarter operational income, despite the weakness of the US economy, helped by solid results from long-distance telecommunications and financial services.

The company reported record quarterly net income of $963m, or 72 cents a share, compared with a loss of *$1.79bn, or $1.40 a share, in the* same period of last year when it took $4.2bn of charges. Excluding special charges, operational income totalled $829m. Revenues were $16.18bn, up from $15.63bn.

The results were broadly in line with expectations. Wall Street's mean estimate of earnings per share, as tracked by the IBES information service, was 73 cents.

The company said that NCR, the computer company AT&T acquired last year and merged with its own computer operations, had operating income of $49m. It said the figures were not comparable to the subsidiary's pre-merger financial results.

"NCR continues to report *strong orders in the US, but* orders outside the US weakened as a result of the computer industry's slump worldwide," it added.

AT&T's telecommunications services revenues grew $315m, or 3.2 per cent, from $9.8bn to $10.2bn, as long-distance calling volumes rose about 6 per cent.

The company's credit card unit reported its first profitable quarter since it was launched two years ago and helped produce a 35 per cent increase in financial services revenues, up from $358m to $485m.

Sales of products and systems saw a 1.7 per cent rise in revenues, to $3.87bn from $3.81bn, led by higher sales of micro-electronic components *and business phone systems.*

For the nine months net income was $2.81bn, or $2.11 a share, on revenues of $47.4bn, compared with a loss of $113m, or 9 cents, after charges last year on revenues of $46.63bn.

Tenneco warns of more losses at J.I. Case

By Martin Dickson

TENNECO, the US conglomerate undergoing a major restructuring, yesterday announced third-quarter net income of $46m, compared with severe losses a year ago, but warned of continuing losses at its J.I. Case agricultural equipment subsidiary.

The profits, equal to earnings per share of 28 cents, *compare with losses of $693m*, or $5.69, last year when Tenneco took $427m of after-tax restructuring charges. Revenues were up at $3.2bn.

J.I. Case, suffering from depressed US demand for agricultural and construction equipment, reported a third-quarter operating loss of $68m, against a loss of $169m before restructuring charges last time.

The company said Case would cut production by an additional 4 per cent, bringing its annual production cut to 24 per cent. The result would be losses at the subsidiary for the fourth quarter and the full year.

Of Tenneco's other businesses, packaging posted profits of $49m, up from $23m; chemicals group Albright & Wilson reported $15m of operating income, against a loss of $1m; gas pipelines made $58m, up from $17m; automotive parts made $60m, against $49m; and *shipbuilding made* $68m, up from $61m.

First loss for Sears, Roebuck

By Laurie Morse in Chicago

SEARS, Roebuck, the US retail and insurance group, yesterday reported its first quarterly loss in its *106-year history.*

Claims related to Hurricanes Andrew and Iniki battered its Allstate unit and charges related to *settlement* of a lawsuit dented income in its huge Merchandising Group.

A previously-reported after-tax charge of $1.2bn at Allstate contributed to a loss of $833.7m, or $2.25 per common share for Sears in the third quarter. That compares with a 1991 third-quarter gain of $229.2m or 67 cents.

Allstate suffered a third-quarter loss of $840.2m, *compared with earnings of $158.2m* last year, after taking the charge to cover hurricane-related claims. Allstate's revenues rose slightly, *to $4.07bn*, compared with $4.96bn last time.

The group's results included a $20.5m third-quarter write-off of Sears' investment in Phar-Mor, a discount drug store in bankruptcy reorganisation.

For the first nine months, Sears suffered a consolidated net loss of $166.1m, or 51 cents, compared with net income of $765.8m, or $2.23, last time.

Sales in the third quarter were $14.49bn, up 1.3 per cent from $14.3bn last year.

The Merchandising Group, the retailing heart of the company, reported a third-quarter *loss of $36.4m, compared with* income of $54.4m last year. It lost about $80m in revenues and took a $27m after-tax charge after settling a case involving customer overcharges at Sears' car service stores. Its sales edged up to $7.71bn from $7.66bn *in 1991.*

The Dean Witter Financial Services Group income rose 24.1 per cent in the quarter, to $114.3m, up from $92.1m in 1991. Sales were $1.3bn, from $1.25bn last year.

Sear's Coldwell Banker real estate group had third-quarter income of $20.2m, up from $5.5m last time. Sears said the gain primarily reflected the timing of property sales at Homart Development. Coldwell Banker sales were up 1.8 per *cent to $455.8m, from 447.9m.*

CSX scores 19% gain in third quarter

By Karen Zagor

CSX, the US transportation company, unveiled a 19 per cent advance in third-quarter net earnings to $128m, or $1.25 a *share, from* $108m, or $1.07, a year ago.

Operating revenue was essentially unchanged at $2.21bn, while operating income advanced 9 per cent to $262m.

The company attributed the improvement to operating efficiencies and reductions in the long-term cost base of its transportation units.

Operating income at CSX's rail business rose 14 per cent to $182m.

Extraordinary items push ITT down 36% in period

By Karen Zagor

ITT, the US conglomerate, yesterday unveiled a 36.5 per cent drop in third-quarter net income, reflecting a balance sheet cluttered with extraordinary *items.*

The figures included an after-tax gain of $622m, or $4.71 a share from the sale of ITT's 30 per cent stake in Alcatel, the French telecommunications company. This was largely offset by charges of $582m, or $4.41, to cover losses at its Hartford insurance unit.

Catastrophe losses from hurricanes Andrew and Iniki reduced earnings by a further $95m, or 72 cents.

Including these items, ITT recorded net income of $113m, or 60 cents, compared with $178m, or $1.30, a year earlier. Sales were $5.5bn against $4.9bn.

ITT had warned investors *about* its extraordinary items in the quarter and had announced its catastrophe losses from the hurricanes. *Shares in ITT eased only $¼ to* $64⅞ at mid-day yesterday in light trading.

Operating income improved at five of ITT's nine leading businesses. Earnings from ITT's automotive business rose to $26m from $14m. Its forest products services business saw operating income grow to $35m from $22m. ITT Sheraton hotels had earnings of $13m, against $4m. Earnings from ITT's finance arm grew to $51m from $23m while company's *communications and* information services saw income advance to $53m from $43m.

Ingersoll-Rand earnings slightly ahead at $35.9m

By Andrew Baxter

INGERSOLL-RAND, the US industrial and construction equipment manufacturer, reported third-quarter earnings up from $34.7m, or 33 cents a share, to $35.9m, or 35 cents. The per-share figures reflect a two-for-one stock split in June.

Operating profits, excluding a $10m charge for the restructuring of the company's recession-hit aerospace bearings business, slipped by $5.2m to $57.5m. Sales rose from $866m *to $904m.*

Net earnings for the first nine months were $100.8m, or 97 cents a share, up from $95.9m, or 92 cents, on marginally higher sales of $2.69bn.

Operating profits in the company's standard machinery segment fell slightly in the third quarter because of the unstable European economy and resulting price pressure.

Engineered equipment profits also fell, while the bearings, locks and tools segment lifted profits, before the restructuring charge.

Mr Theodore Black, chairman and chief executive, said incoming orders for the third quarter were $891m, up 8 per cent from the 1991 third-quarter total of $829m.

Cominco back in the black

By Bernard Simon

COMINCO, the Canadian base metals and fertiliser producer, returned to the black in the third quarter, thanks to higher zinc and copper prices and improved costs at its smelter at Trail, British Columbia.

Third-quarter earnings were C$10.1m (US$8.1m), or 12 cents a share, before extraordinary items, compared with a loss of C$23.2m, or 30 cents, a year earlier. The figures exclude an after-tax investment gain of C$41.7m, mainly from the sale of a stake in *Aberfoyle*, the Australian group.

Caterpillar advance to $23m beats forecasts

By Laurie Morse

CATERPILLAR, the US heavy equipment manufacturer, unveiled a profit of $23m, or 23 cents per share, in the third quarter, reversing a $37m, or 37 cents loss in the same quarter a year ago.

The results were stronger than Wall Street analysts had expected.

Sales for the quarter were $2.68bn, up 14 per cent.

Despite the third-quarter gain, Caterpillar reported a loss for the first *nine months*, of $163m, or $1.60, compared with a loss of $86m, or 85 cents.

Sales within the US rose 13 per cent in the quarter, to $1.18bn. The sales gains stemmed primarily from shipments deferred from earlier in the year when operations were hit by a strike.

Revenues from financial subsidiaries also rose as portfolio assets expanded.

The company's sales outside the US were $1.41bn, up 14 per cent from the third quarter last year.

Caterpillar said that its *fourth quarter results would be* "marginally profitable".

Canadian forest group slides

By Robert Gibbens

CANADIAN Pacific Forest Products suffered a loss of C$57.9m (US$47.76m), or C$1.10 a share, in the third quarter, despite improvements in some markets.

This compares with a loss of *C$55.2m, or C$1.26, a year earlier.*

Sales fell to C$466m, against C$507m, mainly because of *asset disposals.*

The nine-month loss was C$188.5m, or C$3.69 a share, against a deficit of C$165.5m, or *C$3.76* a share, on sales of C$1.36bn, against C$1.5bn.

Noranda reduces shortfall

By Robert Gibbens in Montreal

NORANDA Forest, Canada's biggest pulp and paper group, reduced losses sharply in the *third quarter*, despite low prices for most products except building materials.

It cut net losses to C$17m *(US$13.7), or 16 cents a share*, from C$51m, or 48 cents a share, a year earlier. Revenues rose 10 per cent to C$1.12bn.

Operating profit before interest and depreciation was C$33m, a turnround from losses of C$61m.

Nine-month losses were reduced to C$62m, or 55 cents a share, from C$131m, or C$1.34 a share.

● *Donohue, another leading* Canadian pulp and paper group also reduced losses in the third quarter. Shipments *rose significantly and, though* newsprint and market pulp prices remained low, timber products were strong. Third-quarter net losses came to C$5.8m against C$14.4m.

Paradoxical profit promised by US disasters

Nikki Tait examines how insurers could reap gold from the whirlwind

THE television pictures were horrific. Flattened trailer homes stretched as far the camera could see; sweating, distraught individuals fought over ice trucks and food supplies; children played amid rubble and overturned vehicles.

But, if Hurricane Andrew left a trail of human devastation across southern Florida in late-August, did it at least do US property-casualty insurers a good turn?

The industry could use some help. It has been stuck in a "downswing" of the insurance cycle for five years, an uncomfortably extended stretch.

Under conventional insurance theory, this is the period when pricing is "soft", and insurers cannot push through meaningful premium increases. As a result, they make a loss on their underwriting activities, although they may still be profitable overall thanks to income on their investment holdings.

For much of the Sixties and Seventies, these "downswings" lasted for about three or four years. The cycle would then "turn", as underwriting capacity – for a variety of reasons – withdrew from the marketplace. Remaining insurers duly increased their rates; their underwriting losses dwindled; and eventually they made money on insurance activities.

In more recent years, however, the industry has found the downswings becoming more pronounced, and the upswings less so. The last cycle, for example, began with a downswing in 1977, which lasted for seven years.

It "turned" in 1984, and insurers did enjoy three years of improving conditions. But, before the industry overall could move to an underwriting profit, the cycle turned down again in 1987. The current downswing has continued ever since.

The question, then, is whether Hurricane Andrew is the catalyst which will push capacity out of the market, allow remaining insurers to raise rates, and move property-casualty (P-C) insurers in the direction of an underwriting profit.

Some Wall Street analysts certainly think so, and Wednesday's revised estimate of the hurricane losses – up from \$7.8bn to a staggering \$10.7bn – adds weight to their case.

"Disastrous damage inflicted by Hurricane Andrew should be large enough to cause a turn in the P-C pricing cycle," suggest analysts at Kidder, Peabody, for example. "The improvement in pricing should start to be evident with January 1993 renewals."

Such thoughts have prompted a rally in the shares of P-C insurers – with the result that the Dow Jones index for the P-C insurance industry group has advanced by almost 10 per cent since late-August, compared with a slightly weaker equity market overall. A similar trend has been evident recently in the reinsurance sector.

Proponents of this bullish scenario have a handful of arguments to bolster their case. First, they point out that Hurricane Andrew came after a series of costly disasters earlier in the year.

These included the Los Angeles riots and some less-publicised but extremely violent storms which hit the grain belt. Ahead of Hurricane Andrew, therefore, 1992's insured losses from US catastrophes totalled almost \$4bn – only slightly below the \$4.2bn cost of Hurricane Hugo, previously the most expensive insured disaster.

Secondly, US P-C insurers are generally thought to hold less catastrophe reinsurance that they did a few years ago, and hence will have to bear a larger part of the losses themselves.

In the past, reinsurers – often non-US organisations, like Lloyds of London – have picked up 30 to 40 per cent of a catastrophe's losses. Today, most analysts put the figure at nearer 20-30 per cent – a reduction which, in turn, reflects increased caution on the part of the hard-hit reinsurance industry.

Finally, there is the sheer size of the Hurricane Andrew insurance bill. In early-September, the property claims division for the American Insurance Services Group, an industry trade organisation, estimated the insured losses to be around \$7.3bn in Florida and perhaps another \$500m in Louisiana, the second state affected by the storm.

This week, it raised the figure for the two states to \$10.7bn. It blamed this 37 per cent increase, at least in part, on jacked-up construction costs in Florida, and heavy rain which followed the hurricane and prevented some immediate repair work, compounding the long-term damage.

Even so, a few industry executives and analysts, who have seen hopes of a turn in the cycle dashed before, still urge caution. For a start, the property-casualty industry is thought to be well capitalised at present – a sharp contrast to the life sector, where more substantial exposure to property-related investments is taking its toll.

P-C insurers generally have very low exposures to property-related holdings and high-yield bonds – the types of investment which have caused problems for life companies.

On the plus side, this should allow the industry to absorb the losses without too much anguish. Moody's, the large Wall Street rating agency, notes that the sector's aggregate capital at end-1991 was \$158bn, or "plenty to cover this year's storm costs". But, conversely, the pressure to push up rates may be mitigated.

Secondly, there are some concerns that political considerations will weigh in. Much play has already been made of an internal memo from Mr Maurice Greenberg, head of the large American Insurance Group (AIG), to executives on August 24. Mr Greenberg, writing just after the hurricane struck, suggested that the storm presented an opportunity to "get prices increases now".

That, in turn, prompted the state insurance commissioners in Florida and Louisiana to freeze AIG's rates for 60 days while they examined the company's practices.

To date, there have been no indications that repercussions from the leaked memo will more widespread.

Nevertheless, consumer groups have leapt on the bandwagon, with the result that rate increases – always a touchy subject – have become doubly-sensitive.

Finally, it is worth remembering that the impact of the hurricane has not been spread evenly – either between individual insurance companies, or between the various elements within the P-C market.

How the storm will affect different insurance lines is still a hotly-debated subject.

Some pundits believe the economic structure of Florida's Dade County – a large number of poor and probably under-insured residential properties but some big retail malls which were effectively flattened – means that pricing in the difficult commercial multi-peril market stands a good chance of firming.

Others claim that other external factors will keep commercial lines "soft", and the impact will be confined to personal lines.

Still, the proof of the pudding in the eating – and some signs of discomfort are already becoming evident in individual situations. Only this week American Reliance Group, a New Jersey-based property-casualty insurer, said it had reached the limits of its catastrophe reinsurance coverage, and needed to raise capital in the wake of rising losses from the hurricane.

The fourth-quarter dividend was axed, and management did not rule out a sale of the company. And American Reliance, one suspects, may not be alone in its misery.

Earnings at 3M exceed analysts' forecasts

By Laurie Morse in Chicago

MINNESOTA Mining and Manufacturing Company, the adhesives and coatings conglomerate, yesterday unveiled a 14 per cent increase in earnings. Net income jumped to \$338m or \$1.54 per share in the third-quarter, from \$296m or \$1.35 last year.

The results were slightly better than analysts had expected. Mr L.D. DeSimone, chairman, said earnings benefited from a good performance in US manufacturing operations, a weaker dollar and a lower tax rate.

Of the 19-cent share increase in quarterly earnings, the company said about 7 cents came from operations, about 7 cents from positive currency translations, and about 4 cents from a lower corporate tax rate.

For the first nine months earnings rose to \$948m, or \$4.33, from last year's \$898m or \$4.08 per share.

Sales advanced 6.6 per cent to \$3.6bn in the quarter, from \$3.38bn last year and for the first nine months they were up 3.9 per cent to \$10.51bn, from \$10.12bn last time.

Anglo American lifts quarterly gold earnings by 10.3%

By Philip Gawith in Johannesburg

ANGLO American, the world's largest gold producer, lifted attributable profits at its gold operations by 10.3 per cent to R152.8m (\$52.5m) in the September quarter, from R138.5m in the three months to June.

Mr Clem Sunter, chairman of the gold and uranium division, attributed the improved performance to "good production results and some savvy hedging". Gold production at the five mines in the group rose to 65,105kg from 53,590kg, and the average revenue per kg of gold during the quarter was 0.7 per cent higher at R33,031 per kg compared with R32,786 per kg – well above the spot price for bullion, which was closer to R30,000 per kg.

Commenting on the performance of Freegold, Mr Lionel Hewitt, managing director of the division, said that, although gold produced rose slightly to 28,257kg from 28,059kg, the mine remained marginal: a 1 per cent increase in revenues and a 3 per cent increase in costs produced a 9 per cent fall in working profit.

Attributable profit fell slightly to R60m from R61.8m. He stressed, though, that the mine was in much better shape than 18 months ago, when more than 50 per cent of its 24 shafts were not covering costs.

Vaal Reefs had a steady quarter, with production constant at 18,870kg. Attributable profits rose to R53.5m from R48.6m. Mr Hewitt said the mine was well placed to increase future production capacity. Earlier in the week, shaft sinking started at the new R1.7bn Moab project, an extension to the Vaal Reefs lease area.

Western Deep Levels recovered partially from its recent difficulties to push production up by 10 per cent to 9,985kg from 9,096kg, but Anglo said the mine had further to go before it regained the 1991 annualised production level of 41 tonnes. Attributable profits rose to R18.6m from R10.9m.

Elandsrand benefited from improved grades to produce a record 4,832kg against 4,582kg and attributable profits rose to R15.7m from R12.1m.

Dyno Industrier down as explosive sales decline

By Karen Fossli in Oslo

DYNO INDUSTRIER, the Norwegian chemicals group, suffered a decline in nine-month pre-tax profits to NKr133m (\$13m) from NKr173m last year.

The group also announced the transfer of Scandinavian dynamite production to Norway, which means it will cut 100 jobs from Nitro Nobel 650-strong Swedish workforce. Dyno said local dynamite sales had fallen sharply in the past five years.

Nine-month sales fell by NKr259m to NKr5.57bn as operating profit slipped to NKr315m from NKr320m.

Repola cuts net losses to FM415m after 8 months

By Robert Taylor in Stockholm

REPOLA, the Finnish forestry and engineering group, made a FM415m (\$87m) loss for the first eight months of the year, compared with a FM607m deficit in the same period of 1991.

It achieved a 7 per cent increase in consolidated net sales to FM14.95bn from FM13.92bn, and an operating profit of FM818m, nearly double the 1991 figure of FM426m.

Repola said that it would make a financial loss for the whole of 1992 because of the weakening of the Finnish markka since it was floated on September 8. On the day of the float, the company's net liabilities in foreign currencies totalled FM5.5bn. Repola said the increase in its export revenues would cover exchange losses in less than a year.

The company forecast a further improvement in its operating profit during the last four months of 1992.

It added that shutdowns during the summer had brought a further loss to Repola. But the present results were "a clear improvement" on the same period of 1991, despite an oversupply of printing papers which had kept capacity utilisation rates low, reduced newsprint prices, a slack demand for investment and the higher cost of financing.

In its forestry activities the company made a profit after financial items of FM121m for the first eight months, compared with a FM323m loss for the same period last year. Net sales rose by 2 per cent to FM 8.92bn from FM 8.73bn.

Valmet trims deficit to FM213m as margins improve

By Christopher Brown-Humes in Stockholm

VALMET, the Finnish state-owned paper machinery and engineering group, has cut losses after financial items to FM213m (\$44.60m) in the first eight months from FM529m in the same period last year.

Sales grew by 22.3 per cent to FM5.03bn, reflecting the group's acquisition of the remaining 50 per cent of Saab-Valmet in March and the purchase of 91 per cent of Tampella Papertech in May.

Valmet noted that its operating margin was FM357m, compared with a negative FM187m a year ago, and cash-flow had also turned positive.

However, financial expenses rose sharply to FM226m from FM56m, due to the group's expansion and high interest rates.

The group expects to remain in the red for the full year, but the loss should be less than last year's FM616m deficit.

Full-year sales are estimated at slightly more than FM9bn.

● Nobel Industries, the Swedish industrial group, made a profit (after financial items) of SKr248m (\$43.57m) in the first eight months of the year, writes Robert Taylor in Stockholm.

This was an improvement on the SKr193m profit made for the same period of 1991, although invoiced sales fell by 14 per cent to SKr14.08bn from SKr16.2bn.

The company said that the international recession would have a negative influence on its activities but in spite of this it believed profits (after financial items) for 1992 would be better than the SKr460m it achieved last year.

Nobel improved profits in the first eight months in its pulp and paper chemicals division (up from SKr56m to SKr73m), paints and adhesives (up from SKr118m to SKr144m) surface chemistry (up from SKr31m to SKr95m) and defence electronics (up from SKr34m to SKr45m).

INTERNATIONAL CAPITAL MARKETS

Italy rallies on hopes of cut in budget deficit

By Simon London in London and Patrick Harverson in New York

EUROPEAN markets were generally firm yesterday, with a strong rally in Italy following a parliamentary vote in favour of the government's deficit-reducing budget proposals.

The upper house of the Italian parliament approved a package of budget measures covering health and pensions reform by an overwhelming majority. Analysts said the vote was a positive sign that the government of Mr Giulio Amato will be able to reduce the budget deficit next year.

GOVERNMENT BONDS

On Liffe, the 10-year BTP bond contract closed at 91.25, from an opening level of 90.15. Sentiment was also buoyed by an easing of money market interest rates, increasing speculation that the authorities will soon cut the discount rate. Call money rates fell from 14.23 per cent to 13.97 per cent following Bank of Italy repurchase operations.

■ *GERMAN government bonds* opened higher following Wednesday's easing of money market interest rates, but the positive mood was not sustained. On Liffe, the 10-year bund future closed at 91.35, below the day's opening level of 91.45.

The Bundesbank switched to variable rate repurchase operations this week – rather than supplying liquidity at a fixed rate – allowing money rates to drift lower. Yesterday, call money was mostly traded at 8.75 to 8.85 per cent. However, analysts dismissed hopes of an immediate cut in the discount or Lombard rates.

Ecu bonds held on to gains made earlier this week, encouraged by government measures to improve market liquidity. The French treasury announced plans to establish a Ecu700m stock lending fund for Ecu bond marketmakers. Bond prices were little changed yesterday. However, 10-year bond yields have fallen by 40 basis points over the last week.

■ UK government bonds moved higher, encouraged by a narrowing of the trade deficit during September. The best gains were at around the 10-year maturity, although short-dated stocks closed about ⅛ of a point up on the day.

The UK's visible trade deficit narrowed from £1.15bn during August to £1.06bn last month. The value of both imports and exports fell. Analysts said the figures underlined that there was little hope of an export-led recovery prior to sterling's effective devaluation. The devaluation should boost the competitive position of UK exporters, although the value of imports will also rise.

The 9¾ per cent gilt maturing 2002 closed at 109⅝, up ¼ of a point from the opening, for a yield of 9.03 per cent. On Liffe, the December bond future fell back from an opening level of 99.19 to 99.12 by the close. Volume was subdued at 30,000 contracts.

■ JAPANESE government bonds closed higher yesterday, following a better-than-expected auction of 10-year bonds and continued anticipation of lower interest rates.

The benchmark government bond No 145 closed on a yield of 4.77 per cent, from an opening level of 4.845 per cent. The Bank of Japan's regular monthly auction stock saw Y80bn 5 per cent bonds sold at an average bid price of 100.24.

The good response to the auction drove prices higher in the secondary market. Hopes of an interest cut were fuelled by a speech by Mr Yasushi Mieno, Bank of Japan governor, who said any economic recovery in Japan would be slow.

■ US Treasury prices were weaker at midday yesterday but above their lows of the morning when the market had reacted sharply to an unexpected fall in jobless claims and unconfirmed reports of improper trading in the Chicago futures and options market.

By midday the benchmark 30-year government bond was down ⅛ at 95⅞, yielding 7.608 per cent. The two-year note was also lower at mid-session, down 1/16 at 99⅝, to yield 4.219 per cent.

Prices were little changed at the start, but fell on news of a 15,000 fall in weekly jobless claims. The market soon tumbled even further, following a big sale of December bond futures in Chicago.

The sell order, which was accompanied by an order to buy December bond puts, sparked further declines in the cash markets and attracted attention amid reports that the trades may have violated the rules of the Chicago Board of Trade. Bond prices in New York later recovered slightly after CBOT officials said they were investigating the trades.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.3441	-0.002	8.73	8.80	9.03
BELGIUM		8.750	06/02	103.7950	-0.155	8.16	8.33	8.66
CANADA *		8.500	04/02	103.8500	+0.550	7.91	7.84	7.88
DENMARK		9.000	11/00	100.5350	+0.485	8.90	9.45	9.56
FRANCE	BTAN	8.500	03/97	100.9300	+0.251	8.21	8.73	8.67
	OAT	8.500	11/02	101.5900	+0.280	8.26	8.52	8.49
GERMANY		8.000	07/02	104.1650	+0.015	7.38	7.43	7.48
ITALY		12.000	05/02	91.3150	+0.850	14.12†	14.69	14.01
JAPAN	No 119	4.800	06/99	100.4055	+0.127	4.72	4.74	4.82
	No 145	5.500	03/02	104.8437	+0.678	4.76	4.84	4.84
NETHERLANDS		8.250	06/02	104.3300	+0.050	7.59	7.69	7.86
SPAIN		10.300	06/02	89.1000	+1.250	12.28	13.29	12.85
UK GILTS		10.000	11/96	109-22	+4/32	7.20	8.08	8.54
		9.750	08/02	109-12	+6/32	8.33	8.78	9.08
		9.000	10/08	100-19	+7/32	8.93	9.08	9.21
US TREASURY *		6.375	08/02	97-05	-1/32	6.77	6.44	6.48
		7.250	08/22	95-21	-5/32	7.62	7.47	7.43
ECU (French Govt)		8.500	03/02	97.5500	+0.020	8.88	9.27	9.22

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT FIXED INTEREST INDICES

	Oct 22	Oct 21	Oct 20	Oct 19	Oct 16	Year ago	High *	Low *
Govt Secs	92.87	92.90	92.20	91.58	92.03	86.40	92.90	85.11
Fixed Interest	105.91	105.93	105.18	105.28	105.15	96.33	106.46	97.15

Basis 100: Government Securities 15/10/26; Fixed interest 1928
* for 1992. Government Securities high since compilation 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed interest high since compilation 106.46 (14/9/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

	Oct 21	Oct 20	Oct 19	Oct 18	Oct 15
Gilt Edged Bargains	206.3	168.8	149.0	166.4	126.8
5-Day average	163.5	149.9	144.2	140.7	136.3

Indices. SE activity 1974

Bank of America says problem assets now total $5bn

By Alan Friedman in New York

BANK OF America, the leading bank in the western US, yesterday disclosed an increased level of problem assets as it released its first fully integrated quarterly results since its takeover of the loss-making Security Pacific was completed last year.

The San Francisco-based bank said the total problem assets pending sale totalled $5bn, up from a previous estimate of $4.4bn. This appears to confirm the suspicions of some analysts that Security Pacific's problems were worse than thought. Bank of America's share price fell $2⅛ to $41⅛.

Net profits for the third quarter were $476m, or $1.22 per share. But Bank of America said the result was not comparable with its third-quarter 1991 net profits of $285m, or $1.20 per share.

The net effect of non-recurring items, including merger-related restructuring expenses and a gain on the sale of a payroll processing business, was a $175m charge in the first nine months of 1992.

For those nine months, the bank's net income was $1.02bn, which is not comparable with the $839m earned in the same period last year.

Mr Dick Rosenberg, chairman, said the earnings were "solid" and that the integration of Security Pacific's operations was proceeding on schedule. "We continue to focus a very substantial effort on the management of our credit portfolio as a result of the challenging economic climate in the US and many other areas of the world," he added.

Net loan losses during the quarter were $371m, consisting $460m of write-offs and $89m of recoveries. The majority of write-offs were in the consumer, construction and property sectors.

The return on assets for the nine-month period was 0.85 per cent, while return on equity was 12.39 per cent.

● Bankers Trust, the New York bank, achieved $211m of net profits in the third quarter, a 14 per cent rise year-on-year. Earnings per share were $2.45, up 13 per cent.

CS Holding gives new lease of life to convertibles

By Tracy Corrigan

THE convertible bond market sprang to life yesterday, when CS Holding, the Swiss holding company which owns Crédit Suisse and partly owns CS First Boston and Electrowat, launched a rare offering of bonds convertible into bearer shares.

INTERNATIONAL BONDS

The $500m issue of 10-year non-callable convertible bonds, increased from $400m, was arranged by Credit Suisse First Boston.

The convertible bond market has been starved of paper this year, creating a surplus of demand, particularly from specialist convertible bond funds. The CS Holding deal provided investors with the sort of high quality name they were looking for.

Dealers said the issue, which closed at its par issue price, was meeting particularly strong demand among Swiss investors, who welcomed the chance of a dollar play on a Swiss equity investment.

The size of the issue will also help boost declining liquidity in the sector. As well as suffering from a slump in new issues volume this year, the secondary market has suffered from a spate of buy-backs and early redemptions.

In addition, many convertible bonds are no longer traded as such, since their equity component has lost its value due to declining stock market prices. Many older issuers are now traded purely as fixed-income instruments.

Dealers said the coupon on the CS Holding deal had been squeezed slightly, but a lower indicated premium of 10 to 12 per cent provided adequate compensation.

The bonds pay a coupon of 4⅞ per cent, about a point more that the dividend yield of 3.8 per cent. The deal will be priced over today's closing price on the Zurich Stock Exchange. The structure of the deal is unusual in that the issuer cannot redeem the bonds early, which adds extra value for investors.

In the dollar sector, General Electric Capital Corporation took advantage of attractive swap arbitrage at the short end of the market to launch a $200m three-year issue, despite volatile conditions in the US Treasury market. The triple-A rated bonds will be priced today at a spread of 45 basis points over the comparable US Treasury note yield.

In the French bond market, Banque Nationale de Paris launched a FF1.5bn five-year deal which was considered attractively priced at a spread of 49 basis points over the comparable yield on French government paper.

The deal, arranged by BNP Capital Markets, met strong demand from investors, due to the current rally in the short end of the market. Many investors are taking the view that rates are set to fall soon, and that the yield curve will become steeply positive.

In the floating-rate note market, the World Bank launched a "collared" floater, paying a minimum coupon of 5 per cent and a maximum of 8¼ per cent. Initial interest is set at 25 basis points below the six-month Libor. The deal was arranged by Kidder Peabody.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
CS Holding Finance(a)§	500	4.875	100	2002	2½/1½%	CSFB
Cemex(b)	250	10	95.88	1999	1¼/⅝%	Citicorp Inv.Bank
World Bank(c)‡	100	(c)	99.5	2002	-	Kidder, Peabody Int.
Banco Credibanco(d)	50	10.5	98.932	1995	1%	Chartered WestLB
D-MARKS						
Nissen Co.(e)♦	50	3.625	100	1996	2¼/1½%	Nomura Bk(Deutsch.)
FRENCH FRANCS						
BNP	1.5bn	8.625	101.164	1997	1⅞/1.575%	BNP Cap.Mkts
DANISH KRONER						
Finance for Danish Industry	300	9.25	101.875	1997	1⅞/1¼%	Unibank
SWISS FRANCS						
City of Vienna	200	6.25	102.25	2003	-	Wirtschafts-& Privatbk
Kansai Supermarket(f)♦★★	60	2.5	100	1996	-	Yamaichi Bk(Switz.)

Final terms and non-callable unless stated. ★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. a) Final terms fixed on 23/10/92. b) Coupon payable semi-annually. Putable on 5/11/97 at 95.5%. c) Coupon pays 25bp below 6-month Libor. Minimum coupon 5%, maximum 8¼%. d) Coupon payable semi-annually. e) Final terms fixed on 28/10/92. f) Final terms fixed on 27/10/92.

Bell Resources dispute raises fears over puts

By Tracy Corrigan

A DISPUTE between Australian Consolidated Investments (ACIL), the Australian investment company which owns the former Bell Resources, and holders of Bell Resources convertible bonds could have serious implications for other holders of bonds with put options.

ACIL faces repayments of A$19.2m (US$13.8m) to investors following a decision in the UK Court of Appeal two months ago in favour of investors' right to put, but plans to take the case to the House of Lords.

The original dispute arose when bondholders tried to exercise a put option providing for early repayment of principal at 117.7 per cent of par value on November 13 1991. Instead, bonds were redeemed at 103 per cent of their par value, when the company exercised its call option. However, it gave receipts to bondholders when the call was exercised.

Ahead of the Lords' appeal, the company has caused further controversy by printing a notice in the Financial Times, offering to buy back the receipts at 10 cents per dollar. If the Court of Appeal's decision is upheld, investors stand to gain 14.7 cents a dollar.

However, brokers and potential investors complain they are unable to buy receipts, because they are not regarded as tradeable securities, even though they are offering a higher price than ACIL. One broker said he was willing to pay 11 cents in the dollar, but had no way of making that offer directly to receipt-holders.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on October 22

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106½	107¼	-⅛	5.17
ALBERTA PROVINCE 9 3/8 95	600	109⅞	110¼	+⅛	5.71
AUSTRIA 8 1/2 00	400	108	108½	+⅛	7.04
BANK OF TOKYO 8 3/8 96	100	106¼	107	+⅛	6.24
BELGIUM 9 5/8 98	250	113¾	114¼	+⅛	6.64
BFCE 7 3/4 97	150	105¾	106¼	+⅛	6.19
BNP 8 5/8 94	300	106½	106⅞	+⅛	4.71
BRITISH GAS 8 3/8 99	350	106	106⅝	+⅛	7.23
CANADA 9 96	1000	109⅝	110⅛		5.74
CCCE 9 1/4 95	300	109	109⅜	+⅛	5.08
CIA NAVIERA PEREZ 9 96	100	99¼	100¼		9.43
COUNCIL EUROPE 8 96	100	105¼	106	-1	6.38
CREDIT FONCIER 9 1/2 99	300	113¼	113⅝	+⅛	6.84
DENMARK 8 1/4 94	150	106	106½		4.72
DENMARK 9 1/4 95	1571	109	109¼		5.16
ECSC 8 1/4 96	193	107½	108¼	+⅛	6.12
EEC 8 1/4 96	100	107⅝	108¼	+⅛	5.93
EIB 7 3/4 96	250	105⅞	106¼	+⅛	5.93
EIB 9 1/4 97	1000	112¼	112⅝	+⅛	6.37
ELEC DE FRANCE 9 98	200	111	111⅜	+⅛	6.50
EURO CRED CARD TST 9 94	325	105	105⅜	-⅛	6.24
EUROFIMA 9 1/4 96	100	110	110⅜	+⅛	5.89
EXPORT DEV CORP 9 1/2 98	150	112⅝	113⅛		6.75
FINLAND 7 7/8 97	200	104⅞	105⅜	+⅛	6.52
FINNISH EXPORT 9 3/8 95	200	109⅝	110⅛	+⅛	5.80
FORD CAPITAL 9 3/4 97	250	109⅝	110⅛		7.21
GEN ELEC CAPITAL 9 3/8 96	300	110⅛	110⅝		6.15
GMAC 9 1/8 96	200	106⅞	107⅜		6.81
GUINNESS FINANCE 8 94	200	104⅞	105¼		4.95
IBM INTL FIN 7 3/4 94	200	104⅝	104⅞		4.61
IND BK JAPAN FIN 7 7/8 97	200	104⅝	105¼	+⅛	6.63
INTER AMER DEV 7 5/8 96	200	105⅝	106	+⅛	5.95
ITALY 8 1/2 94	1500	106¼	106⅝	-⅛	5.15
JAPAN DEV BK 8 94	150	105¼	105⅝		4.53
KANSAI ELEC PWR 10 96	350	111½	112		6.16
LTCB FIN 8 97	200	105⅛	105⅝	+⅛	6.56
NEW ZEALAND 9 94	850	107¼	107⅝		4.88
NIPPON CRED BK 10 3/8 95	150	109⅞	110⅜	-⅛	6.27
NIPPON TEL & TEL 9 3/8 95	200	108⅞	109½	+⅛	5.26
ONTARIO 8 1/2 01	600	104⅞	105⅜	+⅛	7.68
ONTARIO HYDRO 11 5/8 94	200	108⅝	109¼	+⅛	4.58
OSTER KONTROLLBANK 8 1/2 01	200	107⅛	107⅝	+⅛	7.28
PETRO-CANADA 7 1/4 96	200	104¼	105	+⅛	5.92
QUEBEC HYDRO 9 3/4 98	150	112	112⅝	+⅛	7.19
QUEBEC PROV 9 98	200	108¼	108⅞		7.13
SAINSBURY 9 1/8 96	150	109	109⅜		6.46
SAS 10 99	200	107¼	108½	-1⅛	8.46
SBAB 9 1/2 95	500	108⅝	109⅛	-⅛	5.76
SNCF 9 1/2 98	150	113⅜	113⅞	+⅛	6.61
STATE BK NSW 8 1/2 96	200	107⅛	108	+⅛	6.26
SWEDISH EXPORT 8 3/8 96	700	107	107⅜	+⅛	6.06
TOKYO ELEC POWER 8 3/4 96	300	108⅝	109¼	+⅛	6.15
TOKYO METROPOLIS 8 1/4 96	200	107½	108	+⅛	6.10
WORLD BANK 8 3/8 99	1500	108⅞	109¼	+⅛	6.87
WORLD BANK 8 3/4 97	1500	110⅛	110⅝	+⅛	6.06
XEROX CORPN 8 3/8 96	100	105⅞	106¼	+⅛	6.62

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN AMRO 8 1/2 96	500	103½	103¾		7.46
AUSTRIA 5 7/8 97	500	95	95½	+⅛	7.23
BELGIUM 7 3/4 02	500	100⅞	101		7.61
BNP 8 1/4 01	200	104½	105		7.54
DEUTSCHE FINANCE 7 1/2 95	1000	100⅞	101	+⅛	7.10
EIB 7 1/2 99	400	101¼	101⅝	+⅛	7.29
EUROFIMA 8 3/4 96	400	105¼	105⅝	-⅛	7.17
FINLAND 8 1/4 02	2000	102½	102⅞	-⅛	7.86
GENERAL ELECTRIC 8 3/4 95	300	103⅛	103⅜		7.35
INTER AMER DEV 9 00	300	108⅝	109¼	+⅛	7.54
IRELAND 6 1/2 97	300	95⅜	95⅞	+⅛	7.73
JAPAN DEV BK 5 3/8 95	300	94⅞	95⅜	+⅛	7.67
NAT BK HUNGARY 10 3/4 98	500	100¼	100¾	+⅛	10.69
NORTH EAST FIN JAP 8.40 99	200	105	105½	+⅛	7.43
TURKEY 10 3/4 96	500	101½	102	+⅛	10.27
VOLKSWAGEN COM 8 5/8 97	400	103⅞	104⅛		7.65
WORLD BANK 0 15	2000	23	23½	+⅛	6.55
WORLD BANK 5 3/4 96	300	95¼	95¾	-⅛	7.36
WORLD BANK 8 3/4 00	1250	108⅛	108⅝	-⅛	7.29

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	94	94½	+½	6.58
COUNCIL EUROPE 4 3/4 98	250	94	94½		6.10
EIB 6 3/4 04	300	102⅝	102⅞		6.43
ELEC DE FRANCE 7 1/4 06	100	105¼	106	-⅛	6.64
FINLAND 7 1/4 99	300	103½	104	-⅛	6.61
GENERAL MOTORS 7 1/2 95	100	101¼	101½	+⅛	6.90
HYUNDAI MOTOR FIN 8 1/2 97	100	104	104¼	+½	7.48
ICELAND 7 5/8 00	100	103¾	104		6.98
JAPAN DEV BK 5 1/2 94	100	99	99½		6.30
KOBE 6 3/8 01	240	100	100½	-⅛	6.37
NEW ZEALAND 4 7/8 99	200	92½	93½	-½	6.35
QUEBEC HYDRO 5 08	100	78½	79	+½	7.38
SNCF 7 04	450	104	104¼	-⅛	6.51
WORLD BANK 5 03	150	90	90½		6.30
WORLD BANK 7 01	600	105⅛	105½	+⅛	6.19

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	100⅞	101¼		4.00
CREDIT FONCIER 5 1/4 94	20000	102	102½		4.26
DENMARK 7 95	40000	105⅞	106¼		4.28
EIB 4 5/8 94	40000	101⅛	101⅝	+⅛	3.68
ELEC DE FRANCE 5 5/8 96	20000	103⅞	104⅜	+⅛	4.54
FINLAND 6 3/4 96	50000	105⅝	106	+⅛	4.87
INTER AMER DEV 7 1/4 00	30000	111⅛	111⅝	+⅛	5.41
KANSAI ELEC PWR 4 5/8 94	60000	100⅝	101		4.09
NIPPON TEL & TEL 5 7/8 96	50000	104½	104⅞	+⅛	4.70
NORWAY 5 1/8 95	50800	101⅞	102⅛		4.29
SNCF 6 3/4 00	30000	108⅛	108⅝	+⅛	5.32
SWEDEN 5 5/8 95	20000	103	103¼	+⅛	4.51
WORLD BANK 6 3/4 00	50000	109⅛	109⅝	+⅛	5.22

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ARBED 7 1/2 95 LFr	600	95¼	96¼	-⅛	9.31
ECSC 7 3/4 94 LFr	1000	98	99	-⅛	9.04
WORLD BANK 8 96 LFr	1000	97½	98½	-⅛	8.83
ALBERTA PROVINCE 10 5/8 96 C$	500	108	108⅜	+⅛	7.76
BELL CANADA 10 5/8 99 C$	150	108¼	109¼	+⅛	8.83
BRITISH COLUMBIA 10 96 C$	500	106	106½		7.99
EIB 10 1/8 98 C$	130	107½	108¼	-⅛	8.32
ELEC DE FRANCE 9 3/4 99 C$	275	106¼	106¾	+⅛	8.50
FORD CREDIT CANADA 10 94 C$	100	103¼	104	-⅛	7.96
GEN ELEC CAPITAL 10 96 C$	300	105⅜	105⅞		8.20
KFW INT FIN 10 01 C$	400	107	107½	+⅛	8.77
NIPPON TEL & TEL 10 1/4 99 C$	200	108	108½	+⅛	8.68
ONTARIO HYDRO 10 7/8 99 C$	500	110⅜	110¾	+⅛	8.68
OSTER KONTROLLBANK 10 1/4 99 C$	150	108½	109¼	+⅛	8.53
QUEBEC PROV 10 1/2 98 C$	200	107⅞	108⅜		8.77
BELGIUM 9 1/8 96 Ecu	1250	101¼	101½		8.70
CREDIT LYONNAIS 9 96 Ecu	125	98¾	99½	+⅜	9.40
DENMARK 7 5/8 96 Ecu	250	94¾	95½	+1⅛	9.42
EEC 7 5/8 94 Ecu	200	97⅛	97¾	+⅛	9.95
EIB 10 97 Ecu	1125	104¼	104⅝	+⅛	8.75
FERRO DEL STAT 10 1/8 98 Ecu	500	102¼	102½	+⅛	9.57
ITALY 10 3/4 00 Ecu	1000	105¼	105⅝	+⅛	9.68
UNITED KINGDOM 9 1/8 01 Ecu	2750	101⅝	101⅞	+⅛	8.83
AIDC 10 99 A$	100	104½	105	+⅛	9.05
BP AMERICA 12 1/4 96 A$	100	110⅜	110¾	+⅛	8.54
COMM BK AUSTRALIA 13 3/4 99 A$	100	122¼	122¾	+⅛	9.24
EKSPORTFINANS 12 3/8 95 A$	75	110¼	110⅝		7.84
EUROFIMA 14 5/8 94 A$	75	110⅛	110⅝	+⅛	7.13
MCDONALDS CANADA 15 95 A$	100	115½	116		8.27
NAT AUSTRALIA BANK 14 3/4 94 A$	150	108⅝	109½	-⅛	7.33
UNILEVER AUSTRALIA 12 98 A$	150	112⅝	113¼	+⅛	8.95
VOLKSWAGEN INTL 15 94 A$	100	110¼	110⅝	+⅛	7.50
ABBEY NATL TREAS 13 3/8 95 £	100	111⅞	112⅜	+⅛	7.61
ALLIANCE & LEICS 11 3/8 97 £	100	111⅜	111⅞	+⅛	8.24
BRITISH GAS 12 3/4 95 £	300	110⅝	111	+⅛	7.52
BRITISH LAND 12 1/2 16 £	150	98	98⅞		13.17
DEUTSCHE BK FIN 11 94 £	225	104¼	104½		7.34
EIB 10 97 £	636.5	108⅛	108⅜	+⅜	7.61
HSBC HOLDINGS 11.69 02 £	152.724	109¼	109¾	+½	10.14
ITALY 10 1/2 14 £	400	99⅝	100	+⅛	10.53
LAND SECS 9 1/2 07 £	200	90⅞	91¼	+½	10.75
NORWAY 10 1/2 94 £	200	103⅞	104⅛	+⅛	7.33
ONTARIO 11 1/8 01 £	100	112¼	112¾	+½	8.93
SEVERN TRENT 11 1/2 99 £	150	113	113⅜	+½	8.83
SKANDINAVISKA ENSK 13 1/8 95 £	100	109⅜	109⅞	+⅛	8.61
TOKYO ELEC POWER 11 01 £	150	112⅞	113⅜	+⅜	8.79
WORLD BANK 11 1/4 95 £	100	108½	109	+⅛	7.44
TCNZ FIN 9 1/4 02 NZ$	75	105⅛	106⅛	-⅛	8.41
WORLD BANK 14 94 NZ$	75	107⅞	108⅜		7.24
CEPME 10 95 FFr	2000	103⅜	103⅞	+⅛	8.50
ELF-AQUITAINE 9 99 FFr	600	101⅜	101⅞	+⅛	8.71
SNCF 9 1/4 97 FFr	4000	103¼	103½	+⅛	8.36

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.73	99.82	10.3925
BANCO ROMA 0.03 01	200	88.97	90.54	4.0925
BELGIUM 1/16 97 DM	500	100.11	100.23	9.9375
BFCE -0.02 96	350	99.84	100.00	3.9175
BNP 05	300	99.70	100.26	5.2500
BRITANNIA 1/10 96 £	150	99.34	99.52	10.4125
CCCE 06 ECU	200	99.01	99.55	11.1719
CITIZENS FED 0.15 96	100	99.53	99.96	5.0000
CREDIT FONCIER -1/16 98	200	100.40	100.57	5.0000
DENMARK -1/8 96	1000	99.37	99.51	3.4063
DRESDNER FINANCE 1/32 98 DM	1000	99.88	99.98	9.8438
ELEC DE FRANCE 1/8 99	400	101.90	102.54	5.2500
FERRO DEL STAT 94	200	99.68	100.31	3.6250
HALIFAX 1/10 94 £	200	99.95	100.03	10.3500
IRELAND 98	300	99.58	99.75	4.1000
ITALY 00	500	100.31	100.72	4.0625
LEEDS PERMANENT 1/8 96 £	200	99.65	99.76	9.5313
LLOYDS BANK 1/10 PERP S.3	600	76.63	78.63	3.7250
MITSUI FIN ASIA 1/8 96	100	100.08	100.31	5.2500
NAT WEST FIN 3/16 05	400	91.46	92.72	4.3750
NEW ZEALAND 1/8 96	250	100.01	100.20	4.1880
RENFE 98	500	99.44	99.71	3.8750
SOCIETE GENERALE 96	300	99.44	99.62	3.1875
STATE BK VICTORIA 0.05 99	125	98.95	99.20	4.1380
UNITED KINGDOM -1/8 96	4000	99.78	99.86	3.0000
YORKSHIRE BS 1/10 94 £	165	99.79	99.89	10.3500

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	134¼	136¼	
CHUBB CAPITAL 6 98	250	86	117¼	118¼	+16.11
EASTMAN KODAK 6 3/8 01	300	50.67	103⅜	104⅜	+25.02
GOLD KALGOORLIE 7 1/2 00	65	1.0554	94¼	95¼	+58.14
HANSON 9 1/2 06 £	500	2.5875	107⅞	108⅝	+21.62
HAWLEY 6 02 PREF	400	19.1	111½	113½	
HILLSDOWN 4 1/2 02 £	150	3.97	123⅝	124½	
LAND SECS 6 3/4 02 £	84	6.72	81½	82½	+27.07
LASMO 7 3/4 05 £	90	5.64	76½	77½	
MITSUI BANK 2 5/8 03	200	2332.6	65¼	67¼	+30.12
MOUNT ISA FIN 6 1/2 97	100	2.283	97¼	98¼	+20.27
OGDEN 6 02	85	39.077	85½	86	+75.08
SEGA ENTERPRISES 3 1/2 96	200	13018	102	103¼	+42.99
SMITH & NEPHEW 4 02 £	90	1.775	128⅞	130	+56.68
SUMITOMO BANK 3 1/8 04	300	3606.9	67	67⅞	+36.16
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	95¼	96	+58.86
THORN EMI 5 3/4 04 £	103	7.16	126½	127½	+13.22

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	13	8
Other Fixed Interest	0	3	12
Commercial, Industrial	414	145	862
Financial & Property	332	56	419
Oil & Gas	20	17	48
Plantations	1	0	8
Mines	21	20	106
Others	36	53	19
Totals	880	307	1,482

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am't Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
♦	F.P.	-	201	180	Chubb Security	191	+1	L2.8	2.9	2.0	21.1
130	F.P.	-	144	140	Linx Printing Techs.	144		L2.6	2.8	2.4	17.1
120	F.P.	-	192	157	‡Tepnel Diagnostics	183		-	-	-	-
120	F.P.	-	132	126	Trinity	131		R5.4	1.9	5.6	12.3
45	F.P.	-	51	47	Vardon	51		b0.75	5.3	2.0	12.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	110p	105¼p	Fulcrum Inv Tst Zero Div Pf	108¼p	-¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
78	Nil	10/11	1½pm	1¼pm	Capital Inds.	1¼pm	
17	Nil	18/11	1½pm	¼pm	gEIT	1½pm	
295	Nil	1/12	45pm	39pm	Greenalls	43pm	
335	Nil	22/12	52pm	28pm	Wagon Indl.	28pm	-4

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. n Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares.

TRADITIONAL OPTIONS

- First Dealings Oct. 12
- Last Dealings Oct. 23
- Last Declarations Jan. 14
- For settlement Jan. 25

3-month call rate indications are shown in Saturday editions.
Calls in **MTM, Oliver Res., Premier Cons., Airtours** and **National Australia Bank.** Double in Babcock.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*639)	600	45	58	72	2½	15	23
	650	5	28	43	15	35	45
	700	1	13	24	62	72	77
ASDA (*42)	35	7½	9½	11	1½	3	4
	40	3	7	9	2½	4½	6½
	45	1	4½	6	5	7½	9½
Brit. Airways (*309)	300	12	25	34	4	17	22
	330	1	12½	20	23	34	39
SmKl Bchm A (*513)	500	18	39	51	4	19	25
	550	1½	16	27	40	49	52
Boots (*478)	460	22	39	51	3	17	22
	500	3	19	30	24	38	41
B.P. (*232)	220	13	22	25	2½	9	12
	240	3	11½	16	11	19	23
British Steel (*62)	60	5	8½	11	1½	5½	7
	70	½	3½	7	8	12	13
Bass (*557)	550	16	37	49	7½	36	41
	600	2½	16	29	47	67	74
C & Wire (*606)	600	14	38	56	7	25	32
	650	2	18	32	42	54	62
Courtaulds (*478)	460	20	42	53	4	21	29
	500	3	21	33	27	43	52
Com. Union (*576)	560	31	55	65	2½	19	31
	600	3½	28	38	27	44	58
Fisons (*226)	220	13	31	39	8	25	34
	240	6	23	30	21	38	46
GKN (*414)	390	27	41	48	2½	11	20
	420	5	24	30	12	23	35
Grand Met. (*412)	420	5	24	31	12	30	37
	460	1	2½	16	48	57	63
I.C.I. (*1067)	1050	24	75	90	10	38	66
	1100	4½	49	65	40	64	95
Kingfisher (*536)	500	42	60	72	3	13	18
	550	5	30	43	17	34	40
Ladbroke (*163)	160	7	21	28	8	15	22
	180	1½	14	20	18	28	35
Land Secur (*415)	390	28	35	42	1½	8½	12
	420	4	17	24	10	23	26
M & S (*338)	330	13	25	35	3	14	18
	360	2	13	21	23	30	34
Sainsbury (*494)	460	35	47	58	3	12	15
	500	6	23	34	14	28	32
Shell Trans. (*535)	500	38	53	56	1	7	15
	550	3	21	25	20	27	38
Storehouse (*154)	140	17	22	27	2	6	8½
	160	3	14	16	8	15	18
Trafalgar (*88)	80	11	16	19	2	6	9½
	90	3	10	14	4	12	15
Utd. Biscuits (*328)	300	27	40	45	1½	6½	14
	330	5½	21	26	6½	18	27
Unilever (*1077)	1050	35	67	90	4	22	30
	1100	5	40	58	26	43	50
Option		**Nov**	**Feb**	**May**	**Nov**	**Feb**	**May**
Brit Aero (*135)	120	27	34	38	8	15	22
	130	19	32	33	11	20	24
	140	14	25	30	17	24	35

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*732)	700	45	62	79	11	24	30
	750	14	35	52	37	49	57
	800	4	18	35	77	84	89
BAT Inds (*890)	850	62	85	96	12	24	40
	900	24	57	68	32	47	64
	950	10	34	47	62	77	93
BTR (*500)	500	15	31	36	14	25	33
	550	3	12	16	54	58	65
Brit. Telecom (*375)	360	22	28	37	4½	13	18
	390	6½	14	22	20	30	33
Cadbury Sch (*440)	420	32	43	52	5	15	22
	460	9	22	30	26	34	43
Eastern Elec (*364)	350	22	33	39	5½	17	21
	370	11	22	30	15	27	31
Guinness (*528)	500	39	58	68	10	20	27
	550	12	31	42	34	45	52
GEC (*242)	240	9½	16	22	6	13	15
	260	3	8	13	19	24	26
Hanson (*232)	220	16½	21	23½	3½	7½	10½
	240	4½	10	14	11	17	20
LASMO (*190)	180	11	30	34	8	18	24
	200	10	21	25	18	28	35
Lucas Inds (*104)	100	12	19	23	6	12	16
	110	7	14	18	12	18	22
P. & O. (*442)	420	36	58	63	11	24	36
	460	15	39	43	2½	7	57
Pilkington (*83)	80	10	14	18	7	12	13
	90	5½	10	14	13	18	21
Prudential (*277)	260	22	31	34	3½	7½	13
	280	9	19	23	11	16	23
R.T.Z. (*630)	600	42	62	70	8	19	32
	650	15	35	43	30	42	57
Scot. & New (*424)	420	17	31	41	13	25	28
	460	4½	14	23	41	50	53
Tesco (*239)	220	26	31	36	4	7½	12
	240	8	19	24	11	15	22
Thames Wtr (*462)	460	15	26	36	14	22	24
	500	3	11	18	46	48	50
Vodafone (*370)	360	23	34	43	10	22	26
	390	8	20	29	25	38	42
Option		**Dec**	**Mar**	**Jun**	**Dec**	**Mar**	**Jun**
Abbey Nat. (*332)	300	43	46	48	4	9	12
	330	20	26	29	14	21	24
	360	7½	14	18	32	39	32
Amstrad (*24)	15	11½	12	12½	1	1½	1½
	20	7	8	9	2	2½	3
Barclays (*334)	300	48	53	56	6	14	17
	330	26	38	40	18	31	30
Blue Circle (*153)	140	23	30	32	7	13	19
	160	12	19	23	17	23	31
British Gas (*262)	260	14	23	24	8	11½	19
	280	5½	12	14	20	23	29
Dixons (*223)	220	19	26	34	11	17	19
	240	10	18	24	23	28	30
Eurotunnel (*363)	360	32	48	60	26	35	41
	390	18	36	48	43	52	61

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Glaxo (*776)	750	63	87	117	24	40	53
	800	35	61	83	49	66	77
Hillsdown (*101)	100	11	17	20	12	16	21
	110	7	13	16	18	23	27
Lonrho (*65)	60	10½	12	15	5	9	10½
	70	6½	8½	10½	10	15	17
HSBC 75p shs (*500)	500	30	46	55	26	36	45
	550	11	25	34	56	66	74
Nat Power (*247)	240	18	24	29	8	14	16
	260	10½	14	19	19	25	28
Reuters (*1199)	1150	93	133	152	37	57	72
	1200	64	105	130	60	77	95
R. Royce (*130)	130	9	12	13	8½	13	15½
	140	4½	8½	9	13½	20	21
Scot Power (*200)	200	9	12	16	7	11	12½
	220	2½	5	8	22	24	25
Sears (*90)	90	10½	12	13	6½	8	9½
	100	3	7	8½	13	14	16
Forte (*172)	160	25	30	35	10	16	23
	180	13	22	25	20	26	34
Thorn EMI (*805)	800	36	55	72	31	42	50
	850	14	33	49	67	71	80
TSB (*142)	140	10	14	16	7	12	14
	160	3	6	8½	21	25	26
Vaal Reefs (*530)	30	4	5	5½	3	5	5
	35	2	3	4	6	8	8
Wellcome (*981)	950	68	100	122	34	57	70
	1000	42	75	97	62	83	93

EURO FT-SE INDEX (*2659)

	2475	2525	2575	2625	2675	2725	2775	2825
CALLS								
Nov	215	171	133	96	65	44	25	13
Dec	242	205	163	130	100	72	52	33
Jan	-	223	-	147	-	94	-	55
Mar	-	-	-	-	-	140	-	90
Jun	-	-	-	225	-	177	-	-
Sep	-	-	-	-	-	220	-	170
PUTS								
Nov	17	24	33	48	68	94	126	168
Dec	25	33	45	60	78	100	130	163
Jan	-	46	-	71	-	112	-	174
Mar	-	-	-	89	-	-	-	-
Jun	-	-	-	-	-	145	-	-
Sep	-	-	-	130	-	169	-	-

FT-SE INDEX (*2659)

	2450	2500	2550	2600	2650	2700	2750	2800
CALLS								
Nov	240	195	150	110	77	50	30	18
Dec	268	225	185	147	113	84	60	43
Jan	280	240	203	165	135	105	82	60
Feb	295	255	218	183	152	122	98	77
Jun †	-	300	-	235	-	175	-	130
PUTS								
Nov	13	19	25	38	57	82	116	155
Dec	20	27	38	52	69	94	125	160
Jan	28	34	50	65	82	105	137	170
Feb	43	52	62	78	95	120	147	177
Jun †	-	80	-	110	-	150	-	205

October 22 Total Contracts 37,059
Calls 27,444 Puts 9,615
FT-SE Index Calls 9,583 Puts 4,267
Euro FT-SE Calls 90 Puts 326
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Oct 22	Day's change %	Wed Oct 21	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.08	+0.12	127.93	1.52	10.69
2	5-15 years (25)	144.31	+0.21	144.01	1.34	11.85
3	Over 15 years (8)	148.68	+0.09	148.56	2.20	9.97
4	Irredeemables (6)	168.52	-0.59	169.51	4.29	8.83
5	All stocks (61)	140.92	+0.16	140.70	1.54	11.42
	Index-Linked					
6	Up to 5 years (2)	181.31	-0.09	181.48	0.24	3.68
7	Over 5 years (10)	164.06	+0.11	163.89	0.73	4.04
8	All stocks (12)	165.21	+0.08	165.08	0.66	3.96
9	Debs & Loans (62)	119.62	-0.01	119.64	1.93	10.11

AVERAGE GROSS REDEMPTION YIELDS

			Thu Oct 22	Wed Oct 21	Year ago (approx.)
	British Government				
1	Low	5 years	6.99	7.03	8.73
2	Coupons	15 years	8.44	8.46	9.57
3	(0%-7¾%)	20 years	8.76	8.76	9.57
4	Medium	5 years	7.43	7.47	9.84
5	Coupons	15 years	8.85	8.86	9.73
6	(8%-10¾%)	20 years	9.16	9.17	9.67
7	High	5 years	7.63	7.69	10.05
8	Coupons	15 years	9.20	9.21	9.82
9	(11%-)	20 years	9.34	9.33	9.73
10	Irredeemables	†	9.18	9.12	9.76
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.71	2.68	3.82
12	Inflation rate 5%	Over 5 yrs.	3.86	3.87	4.23
13	Inflation rate 10%	Up to 5 yrs.	1.90	1.86	3.18
14	Inflation rate 10%	Over 5 yrs.	3.67	3.68	4.05
15	Debs &	5 years	8.89	8.85	11.45
16	Loans	15 years	10.22	10.20	11.24
17		25 years	10.39	10.39	11.04

† Flat yield.

GKN spends $50m expanding US side

By Kevin Done, Motor Industry Correspondent

GKN, the automotive components, engineering and industrial services group, is to invest $50m (£31m) expanding its US automotive components manufacturing activities.

It is planning to increase its capacity for producing constant velocity joints and driveshafts, the company's main driveline products, to meet an expected 60 per cent increase in sales in the next three years.

GKN said that it was studying a variety of locations for the new investment including expansion at its existing sites at Sanford and Alamance in North Carolina, or the establishment of an additional manufacturing site. The existing plants have been working at full capacity since April to meet increased demand.

GKN is the world leader in the supply of constant velocity joints with a world market share of about 30 per cent.

The company said yesterday that it was benefiting from the large increase in demand for US-sourced components from Japanese vehicle makers, which have established assembly plants in the US.

At the same time US vehicle makers are fitting more constant velocity joints in light trucks, multi-purpose vehicles and four-wheel drive leisure/utility vehicles with the increasing trend towards front-wheel drive vehicles.

In North America GKN is now supplying Mazda for its US-built MX6 and Mazda 626 models, as well as Ford and Nissan for their jointly developed Nissan Quest/Mercury Villager multi-purpose vehicle.

The Mazda contract has resulted in extra annual sales of about $15m for GKN Automotive Inc, the US subsidiary.

Earlier this year GKN also gained substantial new contracts from vehicle makers in the US, which will come on stream progressively from 1993 to 1995.

The volume of vehicle driveline component sets to be delivered in North America will jump from 1.7m in 1991 to 2.1m this year and to about 3.3m in 1995-96.

DTI case against Polly Peck adjourned

THE HIGH Court yesterday adjourned a case brought by the Department of Trade and Industry concerning former directors of Polly Peck International, the fruit, electronics and leisure conglomerate which collapsed in 1990.

The DTI had sought to extend the period during which it could launch proceedings to have some of the former directors disqualified from becoming company directors again.

The law allows such proceedings to be brought within two years of the date of a company going into administration. Polly Peck was put into administration on October 26 1990, with debts of £1.3bn.

Proceedings were adjourned so that a judge, as opposed to a registrar, could hear the petition. The official date has yet to be fixed.

Kwik Save buys 12 Grandways

By Peggy Hollinger

KWIK SAVE, the UK's biggest discount chain, has bought 12 Grandways supermarkets from privately owned William Jackson for £13.6m.

The deal comes only a week after Argyll, the supermarket group, paid William Jackson £23m for nine stores. The sale to Kwik Save marks William Jackson's exit from the increasingly competitive supermarket sector. The family-run company intends to focus on the convenience store market.

Kwik Save said yesterday that the stores, based in Yorkshire and Humberside, were "an excellent strategic fit".

Mr Keith Lovell, finance director, said the difference in price paid by Argyll and Kwik Save could have been down to "basic economics ... A discounter like us could not afford to pay as much as the majors."

Kwik Save will fund the purchase through bank borrowings. Mr Lovell said gearing would remain "negligible" even after the acquisition.

Earlier this year, Kwik Save had targeted a debt to equity ratio of less than 10 per cent by the year-end. The acquisition would not be dilutive, he added.

The 12 stores, which will be handed over on a phased basis, would add approximately £45m to sales on an annual basis. They are mostly larger than the average Kwik Save target of 8,000 sq ft.

Mr Lovell said the company would trade out of 12,000 sq ft in the bigger stores, and convert the remaining space for rental to concessions.

Eve pays £2m for Graham Bros

Eve Group, the USM-quoted civil engineer and contractor, has acquired Graham Bros (Electrical Engineers) for an initial payment of £2m.

The Teesside-based company designs and installs electrical systems throughout the UK. In the year to March 31 pre-tax profits were £262,000 on sales of £5.7m.

The initial consideration will be satisfied by £1.1m cash with the remainder in a deferred loan. Further payment depends on 1992-93 profits.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Airflow S'lines ....int	1	Jan 5	nil	-	0.1
Albert Fisher ....fin	1.9	Jan 8	2	3.75	3.75
Castle Comms § ......fin	4.5	Jan 15	4.5	8.5	8.5
Cradley ....fin	1.05	Jan 7	1	1.05	1
Craig & Rose ....int	2	Jan 11	2	-	14.5
Essex Water ....int	36.8	Dec 11	36.6	-	70.9
Ferguson Intl ....int	4.25	Dec 8	4.25	-	12.5
Ferry Pickering ......int	3.4	Jan 4	3.4	-‡	5.5
London Atlantic ......int	0.78	Dec 9	0.75	-	2.95
New Throg (1983) ....int	1.5☆	Feb 25	1.5	-	6.75
Scot Mortgage ....int	1.35	Dec 1	1.3	-	3.9
Sketchley ....int	1	Dec 7	nil	-	3
Smith (James) § ......int	1.4	Jan 14	1.25	-	3.75
Suffolk Water ....int	23.7	Dec 11	23.6	-	45.1

Dividends shown pence per share net except where otherwise stated. §USM stock. ‡ Makes 5.5 so far in 16-month period. ☆Second interim; makes 3p to date.

'Acceptable' buyer sought for Cherry Blossom

Mr Michael Heseltine, the president of the Board of Trade, has accepted undertakings from Sara Lee Corporation and Sara Lee Household & Personal Care that it will sell the Cherry Blossom shoe polish brand to an "acceptable" buyer within 12 months, writes Peter Pearse.

Sara Lee already owned the Kiwi brand and acquired Cherry Blossom and other brands from Reckitt & Colman in October 1991. The MMC concluded that owning both the dominant brands would create adverse effects on competition.

The MMC was particularly concerned with the "self-selection" market saying that the Cherry Blossom acquisition had lifted Sara Lee's share of that market segment from 44 to 74 per cent.

This could provide the group with scope to increase prices substantially before putting its high market share at risk, it suggested.

Debt burden slows recovery drive

John Thornhill considers Isosceles' problems as Gateway chief leaves

MR BOB Willett's departure yesterday as chief executive of the Gateway grocery chain again brings into sharp focus the severe problems besetting the UK's biggest leveraged buy-out and raises renewed doubts about whether it will ever be able to succeed in floating the business.

When the Isosceles investment vehicle won its bitterly-contested £2.1bn takeover battle for Gateway in 1989 it held out the prospect of slimming the business, disposing of its peripheral assets and returning the grocery chain to the market within three to five years, realising generous returns for its backers in the process.

The practice has proved infinitely more treacherous than the theory.

Delays in disposing of assets, the severe and lingering recession, and the intensification of trading pressures as a result of competitors opening new stores have combined to throw the scenario askew.

Three years on, Isosceles finds itself saddled with £1.2bn of debt and little prospect of being able to reduce that, even if it could finally succeed in disposing of Herman's, the US sporting goods subsidiary.

City analysts suggest Isosceles is now caught on the horns of an acute financial dilemma. The company is under immense short-term pressure to pay the interest on its debt, but can only survive in the long term if it invests in upgrading its core stores and developing its new Somerfield format.

Alistair Mitchell-Innes: facing formidable task

Bob Willett: ambitions kept in check by bankers

Mr Willett was a vigorous advocate of developing the business but his ambitions were kept severely in check by the demands of the bankers. He considered an annual capital expenditure budget of £100m was insufficient to convert enough Somerfield stores to give the chain critical mass.

Mr Bill Myers, food retailing analyst at stockbrokers Henderson Crosthwaite, said: "Somerfield is the core of a good idea. It has been very well-received by the public and seems to be trading very well."

To date, however, Isosceles has only opened 60 Somerfield stores and still has more than 600 Gateway stores which are continuing to face severe competition.

The trading performance of Gateway's mainstream stores is believed to be well below budget and was one of the contributory factors in Mr Willett's departure.

Analysts suggest that Isosceles's remaining businesses can only have a current market value of about £600m. "There is a glaring great hole in the company's valuation and I am sure that the banks must know that. It is a grisly scenario," said one.

It is clearly in the interests of the buy-out's backers to continue to support the company until some kind of exit route can be found. No bank is likely to want the embarrassment of crystallising its loss, least of all Wasserstein Perella, the New York investment boutique which owns 40 per cent of Isosceles' equity.

It seems improbable that any company would want to buy the entire Gateway business. The only likely contender, Tengelmann of Germany, has its gaze fixed firmly on eastern Europe.

Yet Isosceles may still be able to dispose of parcels of its stores to other retailers and attempt to float a far smaller business at some point down the line.

Mr Alistair Mitchell-Innes, who takes over the operational reins, certainly faces a formidable task in trying to restore morale at the company's Bristol headquarters, re-invigorate the trading performance of the core business and squeeze enough cash from its operations to keep the bankers sweet.

Aer Lingus urged to seek link

By Tim Coone in Dublin

AER LINGUS, the Irish Republic's state-run national airline, was told yesterday that it should consider linking up with another airline and that manpower cuts must be made "from the top-down" in any rationalisation plan implemented to stem mounting losses.

Mr Albert Reynolds, prime minister, said yesterday that such links are "the way the world aviation business has been moving for a number of years and that is the way Aer Lingus should be looking."

Ms Maire Geoghegan Quinn, the Irish transport and communications minister, said: "I am very concerned ... in relation to job maintenance and job creation in the country.

The airline is currently undertaking a review of its entire operations. This could result in a substantial pruning of its route network and more than 1,000 redundancies from its 6,500 workforce. Losses are running at I£40m (£43.4m) a year.

In what appeared to be an implicit criticism of the airline's management, Ms Geoghegan Quinn said: "If sacrifices have to be made in the company, then those sacrifices have to start at the top down".

Yesterday, the directors of Aer Lingus said: "Bearing fully in mind the concerns expressed by the minister, the company is determined to take the actions necessary to restore the air transport division to profitability".

On Wednesday Mr Ray Burke, a former industry minister and prominent backbencher in the ruling Fianna Fail party, called for a cash injection into the airline saying it would be "national sabotage" if it were allowed to undertake a plan of compulsory redundancies.

Ms Geoghegan Quinn was non-committal over Mr Burke's proposal.

Filofax organises purchase of Lefax

Filofax Group, the USM-quoted personal organiser company, is buying Lefax Group, which makes similar products, from Quarto Group for up to £1.2m.

Lefax sales are 10 per cent of those of Filofax but Mr Robin Field, Filofax chief executive, said that its "reputation for quality, innovation and customer loyalty are second to none".

The proceeds, which include repayment of intercompany balances, will be invested in Quarto's core publishing activities.

NEWS DIGEST

Sharp cut at Ferry Pickering

FERRY PICKERING, the Leicestershire-based packaging and printing group, announced a fall in pre-tax profits from £2.26m to £674,000 in the year to August 31.

The result was struck after exceptional costs of £783,000 (£252,000) relating to redundancy and restructuring and bad debts. Turnover amounted to £27.8m (£29.1m).

Earnings per share came through at 4.41p (12.68p) and a second interim dividend of 3.4p is declared, making 5.5p (same). The company expects that a final dividend in respect of the 16-month period to December will be recommended.

Craig & Rose ahead to £134,000

Although margins remained under "severe pressure", Craig & Rose, the Edinburgh-based paint and varnish manufacturer and decorators' supplier, announced increased interim profits.

Increased exports helped turnover rise to £2.96m (£2.83m) and despite exceptional payments to employees – the workforce was reduced by some 10 per cent over the period – pre-tax profits for the six months to June 30 rose to £134,000 (£40,000).

Earnings per £1 stock unit emerged at 25.25p (7.01p) but the interim dividend is maintained at 2p.

London Atlantic net asset value off 13%

London Atlantic Investment Trust, a subsidiary of 3i Group which concentrates its portfolio on smaller companies, reported a net asset value, after deducting prior charges at par, of 74p at September 30.

The figure represented a decline of some 13 per cent on the 84.6p of 12 months earlier.

Available revenue for the six months to end-September amounted to £701,000 (£647,000), equivalent to earnings of 1.54p (1.42p) per share. The interim dividend is 0.78p (0.75p).

Airflow Streamlines improves to £0.86m

Profits before tax of Airflow Streamlines, the vehicle cab maker and Ford main dealer, rose from a virtual break-even £5,000 to £860,000 for the half year to August 31.

Turnover improved to £34.7m (£31.9m). Earnings per share came to 6.44p (losses 0.27p) and the interim dividend is resumed via a 1p distribution.

The shares rose 3p to 93p.

Net assets dive at New Throgmorton

The New Throgmorton Trust (1983), a split capital trust, saw net asset value per capital share, taking prior charges at par, dive to 99.5p as at September 30.

The figure compared with 128.2p at the March year-end and 188.5p at the interim stage of 1991.

Net revenue for the six months to end-September fell to £734,000 (£1.75m). Earnings per share declined to 1.88p (4.43p) but the second interim dividend is maintained at 1.5p.

Castle Comms doubles to £1.36m

Castle Communications, the USM-quoted video and audio group, almost doubled pre-tax profits for the year to June 30.

Turnover fell from £38.2m to £31.6m as a result of recession and closure of unprofitable activities.

Pre-tax profits were £1.36m, against £782,000. The latter figure was restated to reflect the change to a more conservative accounting policy towards origination costs of items such as sleeve design and artwork.

Profits this time were struck after an exceptional provision of £351,000 against the fall in value of freehold properties.

The pre-tax figure was helped by lower interest costs of £1.2m (£1.44m) and an increased contribution from an associate of £144,000 (£55,000).

Earnings per share came out at 10.4p (8p). An unchanged final dividend of 4.5p is recommended for a maintained total of 8.5p.

Essex and Suffolk Water pay-outs up

Two French-controlled water supply companies yesterday announced results for the six months to end-September.

Pre-tax profits at Essex Water, owned by Lyonnaise des Eaux Dumez, dipped to £9.4m, against £9.5m in the corresponding period. Turnover was marginally ahead at £33m (£31.5m).

Following a nil tax charge (£700,000) earnings per share improved to 113p (104p). The interim dividend is 36.8p (36.6p).

Suffolk Water, also owned by the French company, saw pre-profits improve to £2.4m (£1.8m) on turnover up £800,000 at £6.2m. The interim dividend is 23.7p (23.6p), payable from earnings of 43p (30p).

Cradley improves 30% to £1.05m

Despite the demise of some customers and reduced size of several magazines, Cradley Group Holdings, the lithographic printer, managed to increase pre-tax profits by 30 per cent in the year to June 30.

The rise from £807,000 to £1.05m was achieved on sales up slightly at £28.7m (£28.4m).

Net borrowings at the year end were down from £500,000 to £3.6m and the dividend is lifted to 1.05p (1p) on earnings per share of 2.1p (1.8p).

James Smith Estates ahead 22%

James Smith Estates, the USM-quoted property investment group, lifted interim profits by 22 per cent despite bad debts and increased interest charges.

With gross rental income ahead to £1.18m (£934,000), pre-tax profits for the six months to September 24 advanced to £689,000 (£567,000).

Administrative expenses of £169,000 (£139,000) included £20,000 for bad debts.

The interim dividend is increased from 1.25p to 1.4p, on earnings of 2.99p (2.47p) per share.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 23.10.92: Pool purchase price £/MWh	Final Prices for Trading on 25.09.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.71	17.76	17.76
0100	17.67	17.76	17.76
0130	18.93	17.76	17.76
0200	22.05	17.76	17.76
0230	30.21	17.76	17.76
0300	30.21	17.76	17.76
0330	30 21	17.76	17.76
0400	24 87	17.76	17.76
0430	18.93	17.76	17.76
0500	17.73	17.76	17.76
0530	17.71	20.21	22.34
0600	17.71	20.21	22.33
0630	18.93	21.16	23.33
0700	24.55	22.16	24.40
0730	25.34	26.71	29.06
0800	27.83	26.67	28.95
0830	29.96	29.69	32.03
0900	30.05	29.70	32.04
0930	29 92	29 69	32.03
1000	29.87	29.69	32.02
1030	25 84	29 69	31.99
1100	25.80	29.69	31.94
1130	25 78	28.02	30.22
1200	25.79	28.02	30.22
1230	25.77	28.01	30.22
1300	25.74	28.01	30.21
1330	25 33	26 72	28.90
1400	24.55	26.71	28.89
1430	21.76	24.70	26.82
1500	21.70	24.70	26.84
1530	21.21	22.00	22.00
1600	21.21	21.70	21.70
1630	21 21	21.70	21.70
1700	24 34	24.35	26.48
1730	24.81	24.62	26.74
1800	28.06	24 62	26.74
1830	28.96	24.62	26.76
1900	28.97	24.63	26.76
1930	28.92	28.00	30.21
2000	24 81	28.00	30.21
2030	24.34	28 00	30.21
2100	24.34	24 35	26.49
2130	23.99	23.78	25.91
2200	23.98	23.76	25.84
2230	21 09	23.07	25.25
2300	21.05	22.16	24.34
2330	17.72	21.16	23.29
2400	17 69	20.28	22.39

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Sketchley flat at £3m but reinstates interim

By Peggy Hollinger

SKETCHLEY, the textile rental and dry cleaning group which was on the brink of collapse two years ago, reported virtually flat profits of £3.1m for the 27 weeks to October 2.

The pre-tax result, which compared with £3.18m for the 26 weeks to September 27 1991, was helped by a 59 per cent fall in interest charges to £625,000 (£1.51m). Sales were £1m lower at £53.7m.

An interim dividend of 1p is declared. Last year's interim was passed. Earnings per share rose from 4.1p to 4.2p.

The government's climb-down on the immediate closure of 31 pits was welcome news at Sketchley, which supplies workwear for British Coal's 44,705 miners. However, the group said the 10 pits earmarked for closure would have little effect on full-year profits.

Sketchley had been budgeting for a steady decline in the number of miners since 1990, when there were about 90,000. This year, the group had counted on less than 45,000 miners and a further decline next year. If the government's initial plans had been carried out, there would have been about 14,000 miners after the closures.

Mr Tony Bloom, joint deputy chairman of the management team brought in two years ago to rescue the ailing group, said Sketchley was ready to hit the acquisition trail. However, it had been more difficult than expected to find suitable purchases.

During the six months, Sketchley continued to bolster the balance sheet, with gearing falling from 31 to 22 per cent. The group aimed to reduce this to between 15 and 18 per cent by the year-end.

Trading had been difficult in the six months, with the dry-cleaning business suffering declines in both sales and profits.

Lydia van der Meer

Tony Bloom (left) and John Richardson, joint deputy chairmen: finding it difficult to identify suitable purchases

Mr Bloom said the difference between a good and a bad year came to just three customers per shop per day. There was little other than economic upturn which could entice those customers in, he said.

Textile rentals actually increased profits, and Mr Bloom said the outlook continued to be good. Several larger contracts had been won, including supplying J Sainsbury and Unigate.

● COMMENT

The writing may have been on the wall for British mining, but at least Sketchley read it in time. The new contracts go a long way to meeting the loss of coal business. Analysts guess that Sainsbury's alone could represent £13m in sales over three years. Then there is Unigate, with an estimated 10,000 workers ready to don the Sketchley gear. But the best news yesterday might well have been the dividend. Although the company resumed pay-outs at the end of last year, the interim declaration offers good hope for a maintained final at the very least. The one big cloud hanging over this vastly changed company is the highly uncertain litigation with Eurocopy, which could run to claims of more than £9m. That shadow is not likely to disappear for at least three years. However, as a recovery play, Sketchley could have some attractions. Forecasts of about £5.5m this year leave the group on a prospective p/e of about 13 times.

Hoskins rebels join battle with directors next week

By Philip Rawstorne

REBEL SHAREHOLDERS in Hoskins Brewery, the Leicester-based real ale brewer, will join battle with the directors at the company's annual meeting on October 30.

Mr Richard Cattermole, leader of the dissident group, said yesterday that a number of board resolutions would be opposed. He claimed to have the support of shareholders with at least 30 per cent of the votes.

Hoskins reported pre-tax profits of £83,060 last year, but extraordinary charges reduced the net gain to £16,625. In the previous 12 months, there was a loss of £167,553 after an extraordinary charge of £238,267.

Mr Cattermole's main targets are Mr Barrie Hoar, chairman, and his brother, Mr Robert Hoar. Resolutions to remove them from the board have been tabled for an extraordinary meeting on November 18.

Mr Cattermole said yesterday that he had no intention of trying to reverse his company, Ryan Elizabeth – which has 52 licensed outlets and five hotels – into Hoskins.

Replying to criticisms that he had no experience as a director of a quoted company, he said: "Ryan Elizabeth made net profits of £294,000 last year, and £308,000 the previous year. We have to abide by rules that are not all that different from those for running a public company."

Crops glut reduces Albert Fisher

By Andrew Bolger

ALBERT FISHER, the food processing and distribution group, which yesterday reported a sharp drop in profitability in the year to August 31, said substantial rationalisation had taken place across the group.

Mr Tim Howden, chief executive in Europe, said: "Three-quarters of our profit shortfall in Europe was in fresh produce, where our management faced the most difficult market conditions in recent memory."

Operating profit in the European fresh produce activities fell from £15.2m to £7.5m. Profits advanced in the first half but deteriorated markedly in the second six months.

Underlying growth in production coincided with lower than expected growth in demand. The situation was aggravated by early and abundant crops throughout Europe and intense competition for banana sales.

Food processing in Europe saw operating profits dip to £28.4m (£32m), but the group said results had held up well in adverse market conditions. The division had been enlarged by the transfer in of the frozen fruit and vegetable activities.

The production of sauces and dressings had been concentrated into two factories from three. The frozen vegetable business experienced a difficult year, affected by plentiful supplies and strong competition, while the remaining businesses in the division produced results close to or above the previous year's outcome.

The European seafood side achieved operating profits of £7.67m (£5.71m). The group said the five seafood companies had now been formed into a separate division for management purposes, which should produce sourcing benefits. The division's profits were held back by cockle supply problems, a poor market for warm water prawns and low demand.

The North American fresh produce businesses saw operating profits drop from £18.9m to £10.8m. Results at the half-year had been under pressure due to the continuing impact of recession on the food service industry, supplying hotels and cruise lines, which is responsible for the majority of sales.

In the second half favourable growing conditions in the US resulted in a produce glut similar to that in Europe, causing further pressure on prices and margins.

The group said: "Economic conditions in the UK and North America remain severely depressed and weaker economic conditions are now being experienced in continental Europe.

"While an early improvement in economic conditions is not foreseen, it is unlikely that the combination of conditions which gave rise to the current produce glut will continue to the same extent in the coming season, although the present surplus of produce will overhang the market for some time to come."

ACT buys ailing NMW in £3.8m deal

By Roland Rudd and Alan Cane

A WORSENING in the finances of NMW Computers has forced the company to accept a bid from ACT, the Birmingham-based computing services group, at 18p a share – 56 per cent less than yesterday's opening price.

The cash offer from ACT, formerly known as Apricot, values NMW, which specialises in services and software for the UK securities business, at £3.8m. NMW shares fell by 23p to 18p. ACT's shares rose 4p to 147p.

In June ACT spent £2.1m to take a 25.4 per cent stake in NMW at 40p a share. It had to get special dispensation from the Takeover Panel to bid for the company at less than the price at which it bought its stake.

A sudden deterioration in its finances led to NMW, which could no longer count on its banks for support, to recommend ACT's discounted offer price. However, speculation that ACT was planning a full bid for NMW had already pushed up the company's share price.

There is a share alternative of one new ACT share for every eight NMW shares.

Higher than anticipated costs incurred in developing NMW Charterhouse, the software business specialising in debt recovery and the Lloyd's insurance market, was mainly responsible for a pre-tax loss of £1.23m for the half year to June 30.

This compared with a profit of £278,000. Losses per share of 5.7p compared with earnings of 0.9p. Sales slipped to £4.9m (£4.98m).

While NMW would not talk about the deal yesterday it is understood that trading performance has been so poor that, without considering the problems at Charterhouse, restructuring would have been necessary.

The depth of the problems at Charterhouse did not come to light until management changes during the summer and it was considered better to give the shareholders all the bad news at once rather than allow it to dribble out.

ACT said it would reorganise Charterhouse to stem the division's losses of £1.2m.

Stockbroking operations at both companies will be integrated.

Compass revises Gardner bid

By Michael Skapinker and Norma Cohen

THE COMPASS Group, which last July failed in its bid to buy Gardner Merchant, Forte's contract catering company, is preparing an offer for the non-UK parts of the business.

The contract caterer and private hospital operator has not yet approached Forte to discuss buying Gardner Merchant's foreign operations, but it is thought it will do so next week.

After the collapse of negotiations last summer, Forte ruled out Compass as a possible future buyer of Gardner Merchant. It is likely, however, that Forte will examine any approach to buy Gardner Merchant's foreign business with an open mind.

Forte is believed to be negotiating to sell the business to the Gardner Merchant management, although it has rejected reports that it will sell it for less than the £400m it has laid down as the minimum price. A management buy-out would be backed by CinVen, the UK's second largest venture capital investor.

Forte said yesterday that Gardner Merchant would not be sold unless three conditions were satisfied. The first is that the minimum price would have to be achieved. The second is that Gardner Merchant would not be broken up and the third that the Gardner Merchant senior management team would remain in place.

If the subsidiary's management could raise the £400m, it would have little difficulty in satisfying the remaining two conditions.

A bid from Compass to buy Gardner Merchant's foreign business could make it easier for the management to buy the UK operation.

Gardner Merchant is particularly strong in the Netherlands, where it is the market leader. It also has operations in France and Germany, which are believed to be of particular interest to Compass.

Compass is thought to be less interested in Gardner Merchant's US operation. It is possible, however, that this could be sold to ARA Services, the US company which joined Compass in its original bid for Gardner Merchant.

Scottish Mortgage net assets up 5.5%

Scottish Mortgage and Trust had a net asset value of 183.2p at September 30 – a rise of 5.5 per cent on the 173.7p at the trust's March year-end. The interim dividend goes up from 1.3p to 1.35p.

Smith New Court expands in smaller companies

By Roland Rudd

Smith New Court, the UK securities house, is expanding its marketmaking activities in shares of smaller companies.

The move comes after three marketmakers, SG Warburg Securities, County NatWest and Wood Mackenzie and UBS Phillips & Drew Securities, withdrew from making markets in shares of many small companies.

Smith New Court is to start dealing today in another 44 stocks, making a total of 85 in smaller companies faced with transfers of trading in their shares from the Stock Exchange Seaq system to the Company Bulletin Board.

Disposal benefits behind 13% advance to £4.7m at Ferguson

By Peter Pearse

THE DISPOSAL of its loss-making businesses enabled Ferguson International Holdings, the labels, hangers, communications components and printing and publishing company, to report a 13 per cent rise in pre-tax profits to £4.7m in the six months to August 31.

Mr Michael Saint, managing director, said: "We took the medicine last year." In the 12 months to February 29 1992 pre-tax profits tumbled 43 per cent to £6.63m.

Turnover of continuing activities – at £61.8m – grew by £4.7m, almost the same as the contribution from discontinued activities last time. The company sold SBF of Philadelphia and Wirewares and Harkwell Cartons of the UK. It also closed Harkwell Labels & Tags.

Trading profits on continuing businesses rose to £5.15m (£4.95m) – discontinued activities incurred losses of £233,000 last time. The pre-tax line was further helped by a £100,000 reduction in interest payable to £450,000, as borrowings were reduced from about £10m to £6.64m.

Mr Saint said that 67 per cent of trading profits derived from the UK, 21 per cent from the US and 12 per cent from Europe, though the group was seeking to lessen its dependence on the UK, he added.

The labels division, which makes textile labels for garments and non-textile labels for food products, lifted trading profits to £2.73m (£2.23m) on turnover up at £28m (£23.3m), helped by the acquisition of Globus Druck of Germany.

Hangers suffered from a fall-off in demand in Germany and the Netherlands, where the division has a 60 per cent market share. This led to a 3 per cent reduction in turnover to £15.6m. Trading profits fell to £1.33m (£1.49m).

Profits of the communications components side, the US cable TV parts supplier described by Mr Saint as a cash generator to buy tooling and machines for the other divisions, declined to £718,000 (£920,000) hit by competitive pressure on margins and unfavourable exchange rates. Turnover rose at £8.93m (£8.27m) mostly because of the acquisition of Interstate Cable Enterprises.

Printing and publishing lifted profits to £372,000 (£312,000) on lower turnover of £9.32m (£9.5m).

Earnings rose 1p to 9.3p per share and the interim dividend is unchanged at 4.25p.

Linx Printing shares at 14p premium

By Richard Gourlay

Shares of Linx Printing Technologies, a maker of continuous ink jet printing equipment, ended their first day of trading at 144p, a 14p premium to the price at which they were placed last week.

The company joins quoted Domino Printing Sciences and a small handful of British companies that have successfully developed commercial applications for high technology breakthroughs.

One of the two venture capital backers, MTI Managers, which represents 18 institutions with 37 per cent of the equity, has not disposed of any of its stake during the flotation which values Linx at £20.8m. The other backer, Paribas, has sold some of its holding.

During the ink jet process tiny droplets are given an electrical charge and then deflected electronically as they are squirted from the printer head. More than 120,000 droplets are projected each second.

The printers are placed at the end of production lines to print bar codes or sell by dates on boxes, bottles and other produce with minimum operator intervention. The process has been used to print on fibre optic cable.

Mr Derek Harris, chairman, said the group would use its stock market quote and the technological expertise within the group to expand. "We would like to develop more in the product identification market," he said.

Linx is the first successful flotation for MTI Managers. The group, which specialises in technology start-ups, has invested £800,000 since Linx was launched in 1987.

Of the £4.7m proceeds of the flotation, Linx has raised £1.3m after expenses while shareholders have taken out £1.5m.

Brent Walker sells phoneline arm

By Maggie Urry

BRENT WALKER has sold Interactive Media Services, its telephone information business, to a management buy-out for £12.7m.

IMS operates the Rapid Raceline, Rapid Cricketline and Rapid Golfline services which give callers to an 0891 telephone number up-to-date information on those sports.

Brent Walker, the betting, pubs and property group trying to reduce its heavy debts through asset sales, has received £10.7m cash and is lending the buy-out the other £2m, at a 5 per cent interest rate. This will rank below the mbo's £4m of senior debt, and will be repaid after the senior debt has been repaid, probably by October 1996.

Mr John Brown, a director of Brent Walker and head of its William Hill betting chain, and his deputy Mr Robert Lambert, will receive up to £1.7m of the proceeds of the sale. They had an equity interest in the telephone business dating back to an agreement they made with Mr George Walker, former chairman and chief executive of Brent Walker, in September 1989 when the company bought William Hill.

The other £11m of the sale proceeds will be retained by Brent Walker. The buy-out is led by Mr Bill Wilson, managing director of the company. It has £7m of equity backing from 3i, Murray Johnstone and County NatWest Ventures.

The purchase price compares with net assets of £1.5m at December 31 1991, and net profits last year of £2.45m.

Morgan Crucible to establish ADR programme in early 1993

By Richard Gourlay

MORGAN CRUCIBLE, the carbon, ceramics and speciality materials company, is to establish an American Depositary Receipt programme early next year.

The issue is likely to be made through the Bank of New York and will allow certain institutional investors and employees to hold the securities.

Mr Bruce Farmer, chief executive, said the group is unlikely to extend the programme beyond the first phase at this stage and would therefore not be forced to move to full quarterly reporting.

The ADR programme will put managers of Morgan Crucible's 30 US operations in closer contact with the group, which at the last half-year derived 38 per cent of sales from North America. Only 16 per cent of group sales were in the UK.

The North American operation is producing a varied performance. Growth is beginning to accelerate in parts of the thermal ceramics division through sales of new products, such as filters for safety air bags in cars.

Mr Farmer believes such new products should soon begin to kick start what has become a mature business with falling operating profits.

Sales from carbon activities are supported from the substantial increase in the number of electric motors required in new cars – each requiring commutators and brushes.

However, the group's National Electric Carbon subsidiary has been hit by recession and has been less successful moving into new markets.

In technical ceramics, growth from new areas, such as biomedical products, was almost offset by a decline in traditional areas, including provision of materials for white goods.

TDG buys French distribution company

Transport Development Group, the UK's second largest haulier, has acquired Cotradip, a French specialist wines and spirits distribution company, for FFr70m (£8.35m) from Remy Cointreau Group.

JOBS: Enterprising insurance man developing policy to cover against risks of changing employers

Plan to make executive moves safer

TO judge by the times the same disaster is reported by readers, it is a serious risk to any executive job-changer. Take for instance the finance manager who generously wishes the offending outfit as well as himself to remain anonymous.

Rather than move out of London with his existing employer in 1989, he decided to take advantage of the still active executive market and change companies. Soon he was signed up as group accountant at the headquarters of an international group. Whereupon, he says:

"There were two surprises awaiting me on the day I started the job. Firstly, two thirds of it were being done by someone else who was due to retire at the end of nine months. Secondly, there was no desk to spare in the whole office and one had to be bought. This arrived after two months during which I had use of a small table between two secretaries. I rode out these difficulties without making any issue of them.

"However it became apparent *as time went on* that I had been misled, and after five months I felt compelled to raise the matter with my superior...."

The upshot, as so often, was that he was asked to resign, which he did only to find the market cold. And although the group paid for counselling, he's still jobless. "I would not wish these experiences on anybody," he adds, "except possibly those who bestowed them upon me"

Amen to that! But while I know of many other cases where the employer looks to be solely at fault, in most the responsibility is less clear. Some were the result of sudden insolvency which was as much a surprise to the firm's recruiters as to the recruit. In others, usually attributed to "irreconcilable differences", the blame is presumably shared.

A knock-on effect is that awareness of such disasters deters underused talents from moving, especially in a recession. Hence the risk plays a part, albeit minor, in inhibiting recovery.

So what – except murmuring "Goodness, how sad" – is anyone doing about it?

Well, one who's trying is Peter Bedford of Fenchurch Insurance Brokers, thanks to an initiative by headhunter John Courtis. In league with an underwriter at Lloyd's of London, Mr Bedford is evolving an insurance policy covering the dangers described.

True, individuals can thrash out their own protection with intending employers, he says. But that usually entails nit-picking by lawyers for each side, consuming time as well as money creamed off by the legal fat cats.

By contrast, the "executive recruit's guarantee option" would have a standard form. Employers who offered it, either freely or on demand by a chosen candidate, would pay a premium covering up to two years salary or so.

The current idea is a premium of 2 per cent of salary times years of contract for each of three types of risk: redundancy, insolvency and the aforesaid irreconcilable differences. But the insurer could refuse cover for any one of them, *if so minded*.

As the scheme is still very much in embryo, Peter Bedford would rather not be contacted about it as yet (he's on holiday for the next week or two, anyway). But I promise to report on developments in due course.

AS it happens, besides news of insurance against disaster, I can today offer a faint sign of hope. It appears in the underlying table which shows the state of demand for managers and higher-ranked specialists in the United Kingdom, as gauged by the MSL International consultancy's three-monthly counts of executive jobs advertised in national journals.

That is not to say there is anything but gloom in the overall figures in the lower part of the table. The latest total is by far the lowest for any 12 months to September 30, not only since 1987-88, but in all the 33 years MSL has been keeping check. *The* quarterly tallies below the total *show that* the rate of decline, as measured by the corresponding three months of 1991, quickened again between April-June and July-September just gone.

Bleakness also prevails in the separate counts, not listed in the table, which the consultancy *makes* of advertised openings in four sectors of industry. All are at their lowest on record for any 12 months to September 30.

High-tech companies' tally *fell* below four digits for the first *time to* 967 *as against a high of* 6,151 in 1984-85. The peak of 4,367 reached by *energy* and associated industries in the same year, is down *to* 1,025. Food, drink and tobacco companies have fallen to 511 from a *1984-85* high of *1,150*, and retailing to 482 compared with 1,145 four years ago.

But look in the upper part of the table, which shows the 12-monthly counts for different sorts of executive work. Although seven of the eight admittedly also show further declines, we do see the first single year-on-year rise since *1988-89. Moreover, it is* in the sales and marketing category which in ages past has proved a lead indicator of movements in *the market as a whole*.

Not too much should be made *of it, because it is a category* which has been singularly *depressed*. But the mere fact that it has rebounded is more reason for cheer than the Jobs column has seen for a long time.

Michael Dixon

UNITED KINGDOM ADVERTISED DEMAND FOR MANAGERS AND KEY SPECIALIST STAFF
(12 months to September 30)

Type of work	1991-92 Posts advertised	1991-92 Change from 90-91 %	1990-91 Posts advertised	1990-91 Change from 89-90 %	1989-90 Posts advertised	1989-90 Change from 88-89 %	1988-89 Posts advertised	1988-89 Change from 87-88 %	1987-88 Posts advertised	1987-88 Change from 86-87 %
Research & dvlpmnt	1,341	−38.1	2,166	−33.8	3,273	−26.1	4,431	+12.6	3,935	+25.6
Sales & marketing	2,428	+ 8.8	2,231	−21.4	2,840	−35.4	4,398	−29.1	6,204	− 0.2
Production	2,332	−20.2	2,923	−47.0	5,512	−13.4	6,362	−16.7	7,636	+54.9
Accounting	2,833	−18.4	3,473	−40.4	5,830	−17.5	7,064	−10.9	7,925	+ 8.1
Computing	961	−20.5	1,209	−50.2	2,430	−41.0	4,119	−10.5	4,602	+37.0
General management	924	− 8.0	1,004	−23.9	1,320	− 5.3	1,394	−19.3	1,728	+16.8
Personnel	421	− 5.6	446	−46.1	827	−32.9	1,233	+15.8	1,065	same
Others	3,807	−11.5	4,303	−36.4	6,764	−15.4	7,996	+ 9.4	7,307	+14.7
Total	**15,047**	**−15.3**	**17,755**	**−38.3**	**28,796**	**−22.2**	**36,997**	**− 8.4**	**40,402**	**+19.2**
Oct-Dec	3,587	−32.5	5,318	−19.8	6,627	−26.8	9,048	− 2.2	9,248	+17.8
Jan-March	4,058	−11.2	4,572	−45.6	8,397	−23.1	10,915	− 2.7	11,223	+22.4
April-June	4,023	− 5.0	4,235	−44.6	7,641	−16.7	9,176	−13.4	10,593	+23.2
July-Sept	3,379	− 6.9	3,630	−40.8	6,131	−22.0	7,858	−15.8	9,338	+12.9

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ACCOUNTANCY COLUMN

A gloomy global forecast for the profession

By Andrew Jack

ANYONE wanting to get a flavour of the global state of the accountancy profession could have done no better than to attend the 14th World Congress of Accountants in Washington, DC, last week. Sitting in the huge Convention Centre auditorium, in the middle of the capital of the country with more accountants than any other, was like being inside a barometer measuring the prospects for the industry around the world. The forecast was not good.

The most significant indicator was the lack of activity. As Mr Dennis Beresford, the chairman of the US Financial Accounting Standards Board, put it later: "Many of the delegates were disguised as empty chairs."

Officials tidying up at the end of the four-day gathering estimated that 2,850 people attended the Congress. Stripping away the "accompanying persons", journalists, staff and accountants from the surrounding region who were hauled in on three-line whips by the organisers, the number of serious delegates going to many sessions was considerably lower.

The total might still seem an impressive number, but it was substantially down on the previous congress five years ago, and has left the organisers – headed by the International Federation of Accountants (IFAC) – with a loss probably running into several hundreds of thousands of dollars. The attendance says a lot about the depressing state of business in the accountancy firms, most notably those in North America, the UK and much of the rest of Europe. After a decade of heady growth, many are now expanding at rates below the level of inflation, some are reporting absolute declines and others have been forced to merge or close.

At the same time some of the more enthusiastic delegates at the congress served as a reminder that business – and hence accountancy – in some parts of the world ke South-east Asia is very different and even flourishing. The IFAC is able to point to 110 member bodies from nearly 80 countries, representing 1.2m accountants.

In general, one of the most lively sessions was on the state of the profession in the developing countries. Elsewhere, groups from Eastern Europe were listening attentively, as they attempted to kindle future development and expansion of their countries' infant accountancy networks. But the messages they heard from the Anglo-Saxon world were far from bullish.

Aside from the sluggish state of the world economy, a number of the specialist sessions during the Congress were instructively gloomy. While those on technical subjects were among the most heavily-attended, two on more wide-ranging subjects stood out.

The first was on the expansion of environmental reporting by companies, including many multinationals. That could bode well, offering accountants the chance to become involved in a new area of auditing and consultancy work. But the speakers also stressed the risks, since auditors could potentially be held liable in the future for unidentified and undisclosed liabilities such as toxic waste clean-up obligations imposed on their clients.

Even more significant was a session on legal liability.There was lengthy discussion about the collapse of Tricontinental in Australia, which generated at \$1.1bn, the largest known claim at the time against an auditor. That level has since been overshadowed earlier this month by the £8bn claim concerning the Bank of Credit and Commerce International.

Speakers renewed their claims for tort reform to reduce the incidence and size of claims against auditing firms – which they argue are not responsible for the collapse of companies. One glimmer of optimism came from a bill now proposed in the state of New South Wales in Australia which could become early next year. This would cap the size of claims auditors and other professionals would be required to pay. It would also require all firms to take out indemnity insurance or have assets sufficient to cover claims up to the specified limits.

More generally, Mr Richard Murray, chairman of the global professional services division of Minet, the insurer, warned that commercial cover might no longer continue to be available to firms facing claims at the current escalating rates. There may be a need for governments to step in and provide cover for uninsurable business, he warned.

Mr Murray said that while accountants should continue to press externally for reform of litigation, they should also look internally at how they manage risk. That could mean turning away clients perceived to be fraudulent, in danger of collapse or likely in some other way to give rise to legal action which might trigger a legal claim. The issue raises questions over how such companies would continue to find alternative audit firms in the future.

While the World Congress did give delegates a depressing glimpse of some of the issues now facing the profession, a number of those attending questioned privately whether the idea of such an ambitious and wide-ranging gathering was becoming a rather anachronistic way of exchanging ideas.

Mr Bertil Edlund, IFAC president, puts a brave face on such criticism and on the lower levels of attendance this year. He points out that the congress was able to go ahead, while those of many other industries and professions have been so harshly affected by the recession that they have been unable to take place at all. Mr Edlund also stresses the subtle achievements of fostering greater international collaboration and consensus, particularly through informal discussions and meetings which took place outside the public sessions.

There is certainly some substance to his argument. Away from the convention centre, for example, Mr Anatoly Sheremet, president of the Association of Accountants and Auditors of the Commonwealth of Independent States, was busy talking to officials at the World Bank. He is attempting to gather support for foreign loans totalling up to \$500m to help with the development of the profession in the former Soviet Union.

An equally important session took place just after the congress at the headquarters of the Financial Accounting Standards Boards in Norwalk, Connecticut. World standard-setters met to exchange progress reports and discuss how they could work more closely together in the future. As the speakers around the table discussed their agendas, two issues stood out: how little co-operation currently exists and how much common ground on issues being tackled there was.

Several different countries mentioned draft accounting standards on topics such as financial instruments, related-party transactions, leases and intangible assets. Yet one clear difference remains: the purpose for which accounts are prepared. For the the US and the UK, for instance, it is clearly stockmarket investors. For Germany, by contrast, it is creditors, especially the banks.

Inevitably the accounting standards which result are different and the pressures and speed of reform varies considerably. Several speakers argued that with growing demand from companies for access to international capital markets, there will inevitably be growing requirements for the harmonisation of standards of financial reporting with which they will have to comply.

Yet it seems that at the moment the importance of international collaboration is still principally being driven from the outside and from the top downwards, by a relatively small number of accountants. Their concerns are seemingly still not considered important by either the vast majority of partners in the delegates' own firms nor by the wider business community.

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Russia-Yakutia diamond deal welcomed by De Beers

By Leyla Boulton in Moscow

DE BEERS of South Africa yesterday welcomed a new arrangement between Russia and Yakutia, the region which produces 99 per cent of Russian rough diamonds, claiming it would end uncertainty over who controlled the Russian diamond business.

Mr Gary Ralfe, head of De Beers' London-based Central Selling Organisation, which dominates the world diamond trade, also said he believed that there would be no Russian attempt to renegotiate an agreement giving De Beers a virtual monopoly of sales of Russia's uncut diamonds before the deal expired in 1995. That was at odds with earlier threats by Mr Leonid Gurevich, parliament's co-chairman on a state commission examining the diamond industry, who last night invited Mr Ralfe to his office for talks that may produce more bad news for De Beers' quest for certainty.

Mr Ralfe said none the less he expected parliament today to endorse Almazrossii-Sakha, the newly-created joint stock company giving 40 per cent control to Yakutia and 32.5 per cent of the shares to the Russian government. The remaining shares are to be held by unspecified statutory bodies, he said.

"What I'm happy about is that there should be clarity or relative clarity where before there was uncertainty," he said during a visit to Moscow coinciding with parliament's vote on the project. "We want to be dealing with a single authority which speaks for the whole of the Russian diamond business."

The new company is to be headed by Mr Valery Rudakov, who resigned this summer as chairman of the state conglomerate grouping both gold and diamonds with a bitter complaint that centralised control was disappearing.

Mr Ralfe added he had received assurances from Yakutia that it would not team up with a Japanese company to set up a diamond-cutting plant and suggested that if the project did go ahead, it would be with De Beers.

Bush tries to fuel maize price recovery

Laurie Morse reports on a controversial, election year boost for ethanol production

CROP DUST and politics have formed a heady mix in the midwest in these final weeks of autumn, as US farmers harvest a record maize crop and grumble about Washington's failure to halt the slide in grain prices.

Maize prices traded for future delivery at the Chicago Board of Trade dropped this week to their lowest level in four years and are now very close to $2 a bushel. Out in the country prices are just as weak. A farmer in central Illinois received an average price of $1.97 a bushel for his maize harvest in September, a drop of 40 cents from last year.

With the US Department of Agriculture forecasting a maize crop of 9bn bushels (56 lb each) and storage bins already bursting with 1.8bn bushels carried over from last year's harvest, Washington has sweetened an array of programmes, mostly credit guarantees, designed to push the excess overseas and on to the plates of foreign customers.

At the same time the Agriculture Department has told farmers they must idle 10 per cent of their productive land – double the amount required in 1992 – to qualify for next year's farm support programmes.

To offset the unpopular set-aside requirements, President George Bush has produced another plan designed to boost domestic maize demand. In a last-ditch effort to retrieve the farm vote Mr Bush this month relaxed environmental regulations to allow maize-derived alcohol to be used as an additive to a cleaner gasoline mix. The regulations are part of the new US Clean Air Act, and the revision has angered environmentalists, who believe the ethanol-gas mix will create more, rather than less, smog.

The regulatory re-write is expected to double the market for ethanol. However, despite election year rhetoric, analysts say the ethanol programme will do nothing to boost maize prices this year, and will pay limited dividends to farmers in the longer term.

Last year processors, led by Archer Daniels Midland, based in Decatur, Illinois, turned 378m bushels of maize into about 800m gallons of ethanol and Mr David Miller, head of research at the American Farm Bureau, projects that in ten years ethanol production could expand to consume about 1.2bn bushels of maize a year.

But that rise in consumption does not necessarily translate into higher maize prices. Mr Miller estimates that US maize production will continue to rise by 1 or 2 per cent a year over the next decade, increasing the overall annual crop size by almost 2bn bushels. "Given these assumptions about supply, and estimates of growth in the ethanol market," Mr. Miller says, "ethanol demand may just keep pace with production growth."

Since most US maize farmers are compensated for the difference between the market price for maize and the government's $2.75-a-bushel "target" price, ethanol production would have to rise far more than the most optimistic projections to boost maize growers' bank accounts.

Better positioned to enjoy the ethanol windfall are the Midwestern maize processing companies that generate alcohol from bargain-priced grain. First among these is Archer Daniels Midland, which with its four ethanol plants boasts more than two-thirds of the nation's production capacity. Other agricultural interests have small production facilities, and some, like Cargill, the Minnesota giant, are just entering the business.

ADM is likely to retain its dominant market share, However. Its primary business is processing maize into high fructose syrup, and several of its plants have the capacity to swing production between the two products.

The company, and its chairman, Mr Dwayne Andreas, are reported to have given more than $1m to Republican campaign funds since 1988 in an effort to support Mr Bush's presidency. Observers say the investment will pay off handsomely in profits from the ethanol market expansion that comes from Mr. Bush's regulatory revision.

A rarely mentioned aside in the domestic ethanol discussion is that profitable ethanol production depends on a strong export market corn gluten feed, a processing by-product. Each bushel of maize wet milled into ethanol produces 13.5 lb of corn gluten feed. Nearly all is exported into the European Community, where trade barriers bar the import of US maize in any other form. Last year, nearly 2bn lb of US corn gluten feed were shipped to the EC, and that figure is expected to rise as ethanol production expands.

Firmer metals prices forecast

By Richard Mooney

VAW, the German metals group, is to reduce its primary aluminium capacity in Germany by 105,000 tonnes to 300,000 tonnes a year. Implementation of the cuts, at its Rheinwer and Innwerk smelters in Neuss and Töging, will begin immediately.

"The decision is a reaction to the dramatic decline in aluminium prices," Mr Karl Wobbe, board member responsible for the company's aluminium division, said yesterday. "The main cause for this is the continuing high level of primary aluminium exports from the CIS."

A TIGHTENING supply/demand balance and the spread of economic recovery in Europe and Japan are likely to lead to firmer base metals prices across the board next year, although the current weakness may be extended in the fourth quarter of 1992, according to Rudolf Wolff, the London metals trader.

In a special report published yesterday, entitled The Outlook for Base Metals in 1993, Wolff notes that, "although we expect increased growth in metal consumption, the metal industry is at the moment overshadowed by the build up in stocks". It suggests, however, that the apparent bottoming out of the markets in early 1992 indicates that "there are organisations prepared to buy and hold metals at these relatively low prices".

For copper, the report estimates that western world supply will fall short of consumption by 13,000 tonnes this year, following a 191,000-tonne surplus in 1991. Next year it forecasts that the supply deficit will grow to about 163,000 tonnes. It expects the three months delivery price to average $2,550 a tonne in 1993, up from an estimated $2,350 this year.

A more modest recovery is expected for aluminium prices with the three months price average climbing to $1,400 a tonne in 1993 from $1,320 in 1992.

"The increasing oversupply in the [aluminium] market and the realisation that the West is likely to have to continue to absorb CIS exports, suggests that further production cutbacks are inevitable," Wolff says. "For this reason the potential for prices to sustain a downward move looks limited."

The report says prospects for consumption are healthy. "Once supply is reined in and stocks show signs of falling, the aluminium market should be able to focus on the encouraging consumption prospects."

Wolff suggests that the zinc market's recovery in the first half of this year "may well have anticipated stronger economic recovery," so "prices may now spend further time consolidating/correcting recent gains". Nevertheless the report sees the zinc price averaging $1,400 a tonne in 1993, up $125 from the expected 1992 average.

The lead price average is forecast to rise by £50 to £380 a tonne in 1993, while nickel's is put at $8,000 a tonne, up from $7,350, and tin's at $7,000 a tonne, up from $6,200.

Mine wastes responsibility questioned

By Richard Mooney

CONVENTIONAL wisdom on responsibility for the costs of clearing up mining wastes were challenged last night by Sir Derek Birkin, chairman of RTZ, the world's biggest mining company.

"Society as a whole, rather than present mining companies and their shareholders, benefited most from the creation of those wastes," Sir Derek told the London Metal Exchange annual dinner. "It would be more honest, if politically embarrassing, for the costs of cleaning up old mine wastes to be recognised as the taxes that they are, rather than disguised as moral commitments."

He said modern mining companies strove to be "responsible stewards of the world's resources, and to tailor their mining and processing to minimise any environmental degradation". Governments, however, while relying increasingly on market measures in most spheres of economic activity, seemed "unduly disposed" to regulation in the environmental field.

"Concern for the environment has become like motherhood," Sir Derek suggested. "Too many people unquestioningly accept any policy put forward to preserve it." The scientific basis for many environmental policies was questionable, he added, "and their possible benefits out of all proportion to the inevitable heavy costs."

Protests scupper Bolivian mine investment strategy

Chris Philipsborn on what may prove to be a Pyrrhic victory for the country's militant miners

THE PLIGHT of the British coal miners now facing redundancy is a sadly familiar one to the Bolivian mining industry. Seven years ago Comibol, the state mining corporation, had to lay off more than 28,000 tin miners following the market crash caused by the collapse of the International Tin Council's buffer stock operation. This in a country with just 6.3m inhabitants.

"For us, the free market fails to offer three fundamental things," says Mr Victor Lopez, executive secretary of the Federation of Bolivian Mine Workers (FSTMB), the largest and most influential mining union in the country. "It pays no attention to the plight of the poor; there is no interest in long term planning; and no attention is paid to the national interests."

Bolivian miners' spirits are now high, however, following a notable victory over their government.

Mining unions recently voted to occupy Comibol's mines in protest at the drive to open up the corporation to joint venture and leasing contracts with private companies. Mr Lopez reminded politicians that his members had confronted both the military and the police in the past and assured them that his members – 7,000 in the public sector and 5,000 in the private sector – were prepared to do so again, even if loss of life resulted.

The message struck home. In a dramatic climbdown, the Bolivian government has now suspended all joint venture contracts. By caving in so comprehensively it has effectively halted the joint venture process, soured any interest foreign investors might have had in the public sector and could well have waved goodbye to a $35m mining development credit from the World Bank.

Since the concept of joint ventures first saw the light of day last year, only two have been signed, though leasing deals are fairly common. The two joint ventures involved operations at the Tasna and Catavi mining centres. The private companies concerned, Cominesa, a subsidiary of Specialty Metals of the US and Mineracao Taboca, a subsidiary of Brazil's Parapanema, were, however, unable to start up operations because of industrial action backed by Mr Lopez's union.

On the face of it, however, Mr Lopez would seem to be indulging in an ego trip which may ultimately prove devastating to his members. The Tasna mine for instance is currently closed and supports a skeleton staff of just 21 workers. Cominesa has repeatedly said it wanted to invest $4m in the mine and employ some 300 miners.

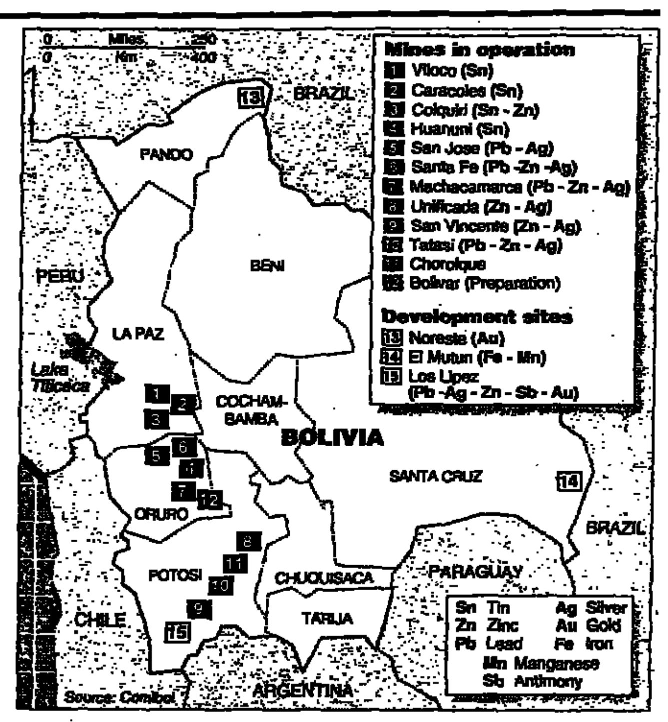
Tasna, though, was an important symbol for the unions. As Mr Fernando Urquidi, a long time observer of the Bolivian mining scene explains: "If the mining unions had allowed the government to retake Tasna, they would have lost the fight against joint ventures".

Yet Mr Lopez and his union executive must realise that Bolivia, with legal export earnings of just $800m and a looming trade deficit, is not in a position to invest even in productive mines. Comibol itself will probably make a loss of more than $10m this year. The corporation's total losses between 1981 and 1991 were in the region of $662m.

The corporation has a new president, Marcelo Perez. Mr Perez has the right free market credentials but no mining experience. He is poorly regarded by unions, and performs his greatest exertions when attempting to avoid questions from the press. Mr Perez's assertion that despite the government's decision, Comibol ". . . remains firmly wedded to the belief that joint ventures are the only way to reactivate mining centres", has a hollow ring to it. According to industry officials, it is fairly certain that joint venture contracts will now be shelved, at least until the general election next year.

To be fair it must be said that the very concept of joint ventures negates the last 40 years of Bolivian history. As Comibol general manager Mr Jose Zambrana explains: "The miners have had great influence because they were the ones who took up arms during the 1952 revolution. They were in on the birth of Comibol, which for the past 40 years has been run by the state. The workers have had the right of veto in decisions and participated in management. It is not easy for them to renounce these privileges".

The government never really backed the joint venture process sufficiently. Inevitable conflict was put off for so long that it seemed far easier to give in altogether, rather than initiate a potentially bloody confrontation just eight months away from the polls. Meanwhile, mines like Tasna which in the hands of the private sector could be providing much needed employment and export earnings, remain idle indefinitely.



WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices surrendered some of their recent gains at the LME yesterday, with the cash quotation closing £13.75 down at £1,382.50 a tonne. Dealers said the downturn followed a failed attempt in the morning to break resistance at the equivalent of $2,280 for three months metal. **ZINC** also eased back in the afternoon, the cash position ending at $1,112 a tonne, down $6 from Wednesday's close. But the sharpest turnround was in **ALUMINIUM**. Upside momentum generated by VAW's production cut announcement (see story above) soon disappeared, dealers said, after the three months price's brief excursion above $1,200 a tonne attracted substantial selling. The price closed $7 lower on balance at $1,187.50 a tonne. At the London Futures and Options Exchange robusta coffee prices edged up to fresh 8-month highs before meeting resistance. The January futures position reached $899 a tonne before profit-taking overwhelmed the upward momentum. The price closed at $891 a tonne, up $6 on the day and $35 on the week so far.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$17.90-8.00	-.125
Brent Blend (dated)	$20.00-0.15	-.175
Brent Blend (Dec)	$20.15-0.25	-0.15
W.T.I (1 pm est)	$21.45-1.50	-0.10

Oil products (NWE prompt delivery per tonne CIF)

		+ or -
Premium Gasoline	$214-217	
Gas Oil	$194-195	-4.5
Heavy Fuel Oil	$103-104	
Naphtha	$194-195	-3
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$343.20	-0.75
Silver (per troy oz)♣	380.5c	
Platinum (per troy oz)	$356.85	-1.6
Palladium (per troy oz)	$93.80	-0.45
Copper (US Producer)	104.5c	
Lead (US Producer)	38.5c	
Tin (Kuala Lumpur market)	14.18r	-0.10
Tin (New York)	269.5c	+1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.38p	-1.34*
Sheep (live weight)†♣	73.34p	-3.03*
Pigs (live weight)†	85.15p	-3.48*
London daily sugar (raw)	$233.0w	+4
London daily sugar (white)	$263.0w	-0.5
Tate and Lyle export price	£262.5	+1.5
Barley (English feed)	£126.5u	
Maize (US No. 3 yellow)	£144.0	
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	61.00p	+0.25
Rubber (Dec)♥	60.75p	+0.25
Rubber (KL RSS No 1 Oct)	223.5m	
Coconut oil (Philippines)§	$605.0y	
Palm Oil (Malaysian)§	$377.5u	
Copra (Philippines)§	$325.0	+2.5
Soyabeans (US)	£155.0w	-0.5
Cotton "A" index	52.70c	
Woollops (64s Super)	408p	+5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg.t-Jan/Mar y-Dec/Jan u-Dec. w-Oct/Nov. z-Nov. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	200.00	188.00	200.00	
Mar	198.00	202.00	200.40	198.00
May	198.00	200.00	198.00	
White	**Close**	**Previous**	**High/Low**	
Dec	259.50	259.00	259.70	258.50
Mar	258.50	258.50	259.10	258.20

Turnover: Raw 131 (85) lots of 50 tonnes. White 796 (831) Paris- White (FFr per tonne): Dec 1333.02 Mar 1363.73

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Dec	20.22	20.41	20.44	20.15
Jan	20.21	20.37	20.43	20.15
Feb	20.13	20.26	20.28	20.08
Mar	20.01	20.11	20.14	19.97
Apr	19.86	19.94	19.98	19.86
Jul	19.54	19.68	19.70	19.54
Aug	19.50	19.63	19.50	
IPE Index	20.52	20.75		

Turnover 30734 (34154)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Nov	191.75	196.00	194.75	191.25
Dec	193.75	198.00	196.50	193.25
Jan	194.25	198.75	196.75	193.50
Feb	190.50	194.75	192.75	190.00
Mar	184.25	187.75	186.50	184.25
Apr	180.00	182.75	181.50	180.00
May	177.00	179.25	178.00	177.00
Jun	175.50	177.75	176.75	175.50

Turnover 23128 (18164) lots of 100 tonnes

FRUIT & VEGETABLES

French Granny Smith apples at 35-45p a lb (35-45p) are this week's best fruit buy reports the FFVIB. Other good apple buys include Golden Delicious at 35-45p a lb (30-40p). Royal Gala at 38-45p a lb (40-45p) and English Cox at 35-45p a lb (45-55p). Good veg buys include pumpkin at 15-25p a lb (15-25p), turnip and parsnip at 25-30p a lb (25-30p), cauliflower at 50-60p each (35-50P) and Brussel sprouts at 35-40p a lb (25-30p). Watercress at 30-45p a bunch (30-45p) and radish at 25-30p a bunch (25-30p) round up this week's best salad buys.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	681	681	685	669
Mar	707	703	709	695
May	723	723	727	712
Jul	742	740	742	730
Sep	758	758	759	746
Dec	785	781	785	778
May	826	823	827	812
Sep	855	850	855	848

Turnover: 5031 (7506) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 21 745.27 (728.49) 10 day average for Oct 22 736.14 (739.36)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Nov	874	877	886	868
Jan	890	885	899	880
Mar	905	898	912	894
May	900	900	912	897
Jul	916	900	918	916
Sep	920	900	923	920

Turnover:4151 (6077) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 21: Comp. daily 54.42 (53.88) 15 day average 51.66 (51.22)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	59.5	60.0	60.0	59.0

Turnover 20 (61) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low	
Dec	241.00	-	241.00	241.00
Feb	143.00	-	243.00	243.00

Turnover 30 (75) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Oct	1114	1105	1114	1108
Nov	1210	1200	1211	1195
Dec	1205	1195	1205	1195
Jan	1230	1232	1240	1230
Apr	1253	1250	1253	1245
BFI	1079	1066		

Turnover 188 (229)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Nov	125.00	124.85	125.55	125.00
Jan	128.85	128.20	128.90	128.35
Mar	131.75	131.10	131.90	131.50
May	134.25	133.50	134.35	134.15
Jun	135.35	-	135.35	135.30
Nov	106.00	106.25	106.00	
Barley	**Close**	**Previous**	**High/Low**	
Nov	124.00	123.70	124.00	124.00
Jan	127.60	127.50	128.00	127.50
Mar	130.45	130.60	131.00	130.00

Turnover: Wheat 704 (349), Barley 108 (270). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Oct	106.0	105.9	106.0	106.0
Nov	109.6	108.3	110.0	109.8
Jan	101.5	100.3	101.5	101.5
Mar	104.0	103.0	104.0	104.0
May	104.5	103.3	104.5	104.5

Turnover:14 (7) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 34,616 lots
Cash	1182.5-3.5	1189-70		1175-7		
3 months	1187-8	1194-5	1218/1186	1201-1.5	1186-7	177,880 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,843 lots
Cash	1382-3	1396-6.5	1382/1382	1381-2		
3 months	1410-1	1425.5-6.0	1417/1407	1409-10		143,475 lots
Lead (£ per tonne)						Total daily turnover 1,894 lots
Cash	320-1	326-7		323.25-3.50		
3 months	333-4	338-8	335.5/333	335.25-5.50	333-5	24,858 lots
Nickel ($ per tonne)						Total daily turnover 4,258 lots
Cash	6075-80	6055-60	6055/6052	6052-5		
3 months	6155-60	6130-5	6180/6100	6140-5	6160-5	30,749 lots
Tin ($ per tonne)						Total daily turnover 1,589 lots
Cash	5835-40	5810-20	5832/5832	5830-2		
3 months	5895-900	5880-90	5900/5855	5890-5	5895-900	10,505 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,242 lots
Cash	1111-3	1117-9	1112/1111	1112-3		
3 months	1129-31	1134-5	1132/1125	1130.5-1.0	1128-9	66,624 lots

LME Closing £/$ rate: SPOT: 1.6215 3 months: 1.6052 6 months: 1.5938 9 months: 1.5852

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	343.10-343.30	
Opening	343.40-343.70	
Morning fix	342.80	211.540
Afternoon fix	342.65	210.344
Day's high	343.40-343.70	
Day's low	342.70-343.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.09	6 months	2.29
2 months	2.10	12 months	2.51
3 months	2.14		

Silver fix	p/troy oz	US cts equiv
Spot	234.50	380.50
3 months	238.30	383.25
6 months	241.90	386.45
12 months	249.05	393.50

GOLD COINS

	$ price	£ equivalent
Krugerrand	342.50-345.50	211.00-213.00
Maple leaf	353.30-355.60	-
New Sovereign	83.00-85.00	51.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1125	58	88	5	10
1175	24	53	21	25
1225	7	29	53	50
Copper (Grade A)	**Calls**		**Puts**	
2200	79	109	11	26
2300	22	52	54	68
2400	3	20	134	134
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	128	99		12
800	78	65		28
850	28	38		52
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
575	82	111	1	8
600	59	91	3	13
625	38	73	8	20
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
2050	17	45	44	
2100	8	21		
2150	3	16		

New York

GOLD 100 troy oz.; $/troy oz.

	Latest	Previous	High/Low	
Oct	344.1	344.1	0	0
Nov	344.0	344.0	0	0
Dec	343.7	344.8	344.2	343.2
Feb	344.7	346.1	345.5	344.7
Apr	346.2	347.5	346.6	346.0
Jun	347.8	349.1	348.2	347.8
Aug	350.9	350.9	0	0
Oct	352.8	352.8	0	0
Dec	343.6	354.6	343.6	343.6

PLATINUM 50 troy oz; $/troy oz.

	Latest	Previous	High/Low	
Oct	357.5	351.1	360.0	357.5
Jan	354.1	357.3	357.5	352.1
Apr	353.5	355.8	354.5	351.0
Jul	355.8	355.8	0	0
Oct	357.8	357.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	378.1	378.0	377.0	377.0
Nov	378.2	379.1	0	0
Dec	379.5	380.5	380.5	377.5
Jan	380.8	381.8	382.0	381.0
Mar	383.2	384.2	384.0	381.5
May	385.8	386.8	386.5	385.5
Jul	388.5	389.5	389.0	388.0
Sep	391.3	392.3	0	0
Dec	395.8	396.8	396.5	395.0
Jan	397.3	398.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	99.30	100.00	100.10	99.15
Nov	99.50	100.20	100.05	99.45
Dec	100.05	100.75	100.65	100.00
Jan	100.40	101.15	101.35	101.00
Feb	100.70	101.40	101.70	101.70
Mar	101.00	101.65	101.95	100.85
Apr	101.20	101.85	0	0
May	101.65	102.35	102.70	102.00
Jun	102.00	102.70	0	0
Jul	102.25	102.95	103.20	102.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	21.44	21.61	21.68	21.29
Jan	21.37	21.54	21.60	21.25
Feb	21.30	21.44	21.49	21.22
Mar	21.19	21.33	21.37	21.12
Apr	21.11	21.21	21.25	21.04
May	21.01	21.10	21.14	20.95
Jun	20.91	21.00	21.04	20.86
Jul	20.82	20.92	20.99	20.81
Aug	20.72	20.84	20.72	20.72
Sep	20.65	20.77	20.63	20.65

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	82.45	82.65	83.00	81.90
Dec	83.25	83.51	83.75	82.80
Jan	83.70	64.00	64.20	63.40
Feb	82.65	82.95	83.15	82.35
Mar	60.50	60.80	60.85	60.20
Apr	58.70	58.95	58.90	58.50
May	57.35	57.70	57.85	57.35
Jun	56.55	56.85	56.55	56.55
Jul	56.65	56.70	56.70	55.40
Aug	57.20	57.25	57.20	57.15

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	968	945	981	952
Mar	1017	995	1030	1003
May	1048	1027	1056	1037
Jul	1077	1056	1086	1067
Sep	1107	1086	1111	1111
Dec'	1143	1122	0	0
Mar	1181	1160	0	0
May	1210	1189	1212	1209
Jul	1247	1226	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	65.85	65.20	66.20	64.95
Mar	67.65	66.65	67.80	66.65
May	70.70	69.65	70.70	69.70
Jul	72.20	71.20	72.25	71.50
Sep	73.40	72.30	73.60	73.00
Dec	75.55	74.75	75.50	74.70
Mar	77.00	76.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.86	8.93	8.98	8.85
May	8.91	8.99	9.01	8.90
Jul	8.93	9.01	9.03	8.92
Oct	8.92	9.02	9.02	8.92
Mar	8.96	9.07	0	0

COTTON 50,000; cents/lbs

	Latest	Previous	High/Low	
Dec	53.16	52.81	53.20	52.29
Mar	53.30	52.97	53.40	52.55
May	53.90	53.60	53.90	53.20
Jul	54.69	54.10	54.70	53.85
Oct	54.70	54.90	0	0
Dec	55.90	55.15	55.90	55.10
Mar	55.50	55.65	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	97.80	102.10	102.50	97.80
Jan	95.45	99.20	99.50	95.25
Mar	96.75	100.30	100.70	96.50
May	97.75	100.90	101.10	97.50
Jul	97.45	100.65	100.80	97.45
Sep	97.05	100.35	100.00	100.00
Nov	97.05	100.35	0	0
Jan	97.05	100.35	0	0
Mar	97.05	100.35	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 22	Oct 21	mnth ago	yr ago
1637.4	1637.5	1577.2	1670.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 21	Oct 20	mnth ago	yr ago
Spot	n/a	114.62	117.48	n/a
Futures	n/a	115.62	115.21	n/a

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	547/2	543/6	549/6	541/0
Jan	552/6	549/4	556/4	547/0
Mar	559/0	556/0	561/4	554/0
May	565/0	562/6	567/4	560/4
Jul	571/4	569/2	574/0	567/6
Aug	573/4	572/0	575/4	571/0
Sep	574/2	572/2	575/2	572/0
Nov	579/2	577/2	581/4	576/2
Jan	585/4	584/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.17	19.18	19.42	19.12
Jan	19.32	19.33	19.55	19.28
Mar	19.55	19.59	19.78	19.49
May	19.77	19.80	20.00	19.72
Jul	19.98	20.01	20.19	19.97
Aug	20.05	20.08	20.28	20.05
Sep	20.13	20.13	0	0
Oct	20.20	20.18	20.46	20.20
Dec	20.30	20.25	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	185.1	184.1	185.5	183.4
Jan	185.0	183.9	185.4	183.0
Mar	184.9	184.0	185.2	183.0
May	185.0	184.0	185.3	183.3
Jul	186.6	185.8	186.7	184.5
Aug	187.0	186.6	187.2	185.5
Sep	187.6	187.3	188.1	186.4
Oct	189.5	188.8	189.5	188.0
Dec	190.5	190.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	209/2	207/6	209/6	206/6
Mar	218/0	217/0	218/6	216/0
May	224/4	223/2	224/6	222/6
Jul	228/6	228/0	229/4	227/0
Sep	233/0	231/0	233/0	231/0
Dec	236/6	234/6	235/6	234/0
Mar	242/4	241/4	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	352/0	350/0	354/0	347/4
Mar	349/2	348/0	351/4	345/6
May	338/4	338/4	339/4	336/0
Jul	318/2	316/2	318/4	315/4
Sep	322/4	320/0	323/0	321/0
Dec	332/0	330/6	332/4	332/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.825	76.000	76.050	75.750
Dec	73.600	74.050	74.050	73.825
Feb	71.525	71.775	71.775	71.400
Apr	72.200	72.550	72.550	72.200
Jun	69.250	69.450	69.500	69.225
Aug	67.925	68.100	68.100	67.900
Oct	68.225	68.450	68.325	68.200

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	42.450	43.075	43.175	42.400
Dec	43.825	44.575	44.700	43.800
Feb	42.600	43.425	43.475	42.550
Apr	40.400	41.175	41.175	40.350
Jun	45.550	46.200	46.300	45.500
Jul	45.050	45.600	45.450	45.050
Aug	43.775	44.150	44.050	43.725
Oct	41.000	41.350	41.200	40.900
Dec	43.000	43.400	43.100	43.000

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	43.050	44.675	44.600	42.900
Mar	43.075	44.850	44.650	43.050
May	44.800	46.300	45.950	44.425
Jul	44.900	46.675	46.450	44.900
Aug	44.200	45.850	45.000	44.200

LONDON STOCK EXCHANGE

Institutions switch into second liners

By Steve Thompson

LONDON'S equity market staged another strong upward push on the back of the government's new "growth and recovery" policy, but was showing distinct signs of running out of steam towards the close of trading.

Nevertheless, the Footsie still managed to post a 12.4-point rise to 2,658.1, a gain of 99.1, or almost 4 per cent, over the past five trading sessions, amid hopes of more interest rate cuts in the near future.

The session began on a cautious note with a gloomy review of the UK economy during the third quarter from the British Chambers of Commerce, which confirmed recent official statistics detailing the deepening economic recession.

But the opening trend which showed the Footsie 100 down almost three points within minutes of the market opening was quickly reversed when the Footsie future attracted a flurry of exceptional buying interest and moved to a near 50-point premium over the cash market.

Demand for leading shares, partly triggered by stock index arbitraging and a big short position in the market, reached a peak around midday when the Footsie was up over 36 points. Enthusiasm was not disturbed by the September trade figures, which disclosed a current account deficit of £963m, against a general consensus forecast of £1.15bn.

Markets were additionally underpinned by the solid performance of sterling against the dollar and the D-Mark, after the government gained a comfortable victory in the Commons on the debate over the mining industry.

The afternoon session in the stock market, however, saw the emergence of intermittent bouts of profit-taking, prompted by a rather ragged early performance on Wall Street, and a downturn in the Footsie future premium over cash which came off to around 31 at the close.

Dealers said there was a significant shift in the pattern of buying interest in the equity market yesterday. Having bought the leading stocks aggressively this week, the big institutions switched their attention to the second-line stocks.

This suggestion was vindicated by official turnover figures which showed Footsie volume of 314.9m shares and non-Footsie volume of 412.9m shares. And further proof of the move into the second-line stocks came from the performance of the Footsie Mid 250 index which easily outperformed the Footsie 100 in jumping 30.4 to 2,494.6. The all-encompassing Footsie 350 rose 7.9 to 1,278.7.

Overall turnover in the market totalled 727.9m shares, a figure expected to see customer, or retail business continue above the £1bn mark. The value of Wednesday's retail business surged to over £1.5bn, continuing the upturn in activity that followed the recent cut in UK interest rates and the Government's "dash for growth" policy shift.

There was heartening news for the market's smaller companies as Smith New Court said it would start market-making in a further 44 smaller company stocks this morning. The stocks would otherwise have been relegated to the Stock Exchange Bulletin Board, after being dropped by other marketmakers.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AGT	5	400	-10	Comm. Union	873	577	+13
ASDA Group	12,000	41¾		Cookson	2,200	163	+1
Abbey National	11,000	331	+5	Courtaulds	645	479	+6
Albert Fisher	12,000	41½	-½	Dalgety	1,600	425	+4
Allied-Lyons	645	530	+5	De La Rue	563	871	
Amstrad	493	24	-½	Dixons	3,200	223	+1
Anglian Water	1,800	434	+1	Eastern Elect.	4,800	366	-14
Argos	1,200	289	+11	East Midland Elect.	2,100	371	-16
Argyll Group	577	382	+4	Eng China Clays	884	428	+7
Arjo Wiggins	1,800	166	+9	Enterprise Oil	1,800	439	+7
Ass. Brit. Foods	63	450		Eurotunnel Units	37	384	-1
Ass. Brit. Ports	507	319	+10	FKI	5,900	86	+4
BAA	2,200	732	+1	Fisons	6,900	224	+9
BAT Inds.	2,800	898	+11	Forte	7,100	172	+8
BET	3,600	107	+3	Gen. Accident	1,500	544	+15
BICC	3,200	339	+14	General Elect.	7,200	241	-3
BOC	1,000	730	-10	Glaxo	4,800	776	-19
BP	5,300	232½	-1	Glynwed Int.	580	325	-1
BPB Inds.	1,200	164	+7	Granada	2,800	285	+4
BT	2,900	375½	+2½	Grand Met.	4,300	408	-1
BT New	2,300	270	+1½	GUS A	987	1584	-3
BTR	5,500	502½	-1½	GRE	4,700	183	
Bank of Scotland	7,400	118	+2	GKN	1,200	414	+18
Barclays	16,000	334	+10	Guinness	2,400	529	+2
Bass	1,300	555	+10	HSBC (75p shs)	10,000	590	+7
Berisford Int.	91	18		Hammerson 'A'	882	223	+5
Blue Circle	4,700	153	+7	Hanson	8,600	232	+2½
Booker	300	387	+14	Hanson Warrants	13,000	20¼	+1
Boots	2,700	479	-14	Harrisons Crosfield	904	137	+4
Bowater	438	892	+9	Hillsdown	5,500	161	+1½
Brit. Aerospace	2,800	136	+1	IMI	1,000	234	+6
British Airways	2,800	300	+5½	ICI	1,600	1087	+27
British Gas	4,000	282	+1	Inchcape	1,000	516	+10
British Land	686	178	-7	Kingfisher	1,700	534	+11
British Steel	8,500	82½	+1	Kwik Save	288	705	
Bunzl	1,800	102	+2	Ladbroke	4,800	163	+5
Burmah Castrol	161	646	+5	Land Securities	2,900	420	-11
Burton	8,800	45	+2	Laporte	320	584	+4
Cable & Wire.	2,100	607	-2	Legal & General	1,800	386	+15
Cadbury Schweppes	3,200	449	-1	Lloyds Abbey	202	387	+13
Calor Group	307	216	+2	Lloyds Bank	7,900	434	+10
Carlton Comms.	1,800	718	+9	LASMO	6,900	191	+3
Coats Viyella	512	208	+3	London Elect.	2,400	393	-18

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
Lonrho	717	85	+1	Shell Transport	2,700	535	-1
Lucas	14,000	105	-1	Siebe	4,000	349	+8
MB Caradon	533	277	+3	Slough Ests	150	121	-3
MEPC	2,300	323	+15	Smith (W.H.) A	791	472	+6
Manweb	2,400	448	-11	Smith & Nephew	290	148	+2
Marks & Spencer	2,800	335	+1	SmKl Beecham	2,200	514	-16
Midlands Elect.	1,200	403	-20	SmKl Beecham Uts	993	486	-13
NFC	497	284	+2	Smiths Inds.	966	372	-7
NatWest Bank	6,000	376	+14	Southern Elect.	2,700	376	-15
National Power	6,300	247	+2	South Wales Elect.	804	464	-15
Next	987	108	-½	South West Water	584	462	-5
North West Water	987	453	+1	South West. Elect	1,100	486	-17
Northern Elect.	857	408	-17	Southern Water	327	425	-4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Reuters	782	1202	-11	United Biscuits	2,300	329	+3
Rolls Royce	5,600	131	+7	Utd. Newspapers	347	442	+8
Rothmans	317	822½	+6½	Vodafone	3,700	371	+8
Ryl Bk Scotland	5,200	164	+5	Warburg (SG)	221	539	+16
Royal Insurance	8,600	216	+7	Wellcome	850	982	-11
Saatchi	632	150	+7	Welsh Water	1,200	454	+3
Sainsbury	1,600	494	+4	Wessex Water	155	542	+1
Scottish & New.	470	424	+8	Whitbread 'A'	558	447	+3
Scot. Hydro-Elect.	718	219½	-1½	Williams Hldgs.	2,400	274	
Scottish Power	3,600	200		Wills Corroon	1,200	205	+5
Sears	6,200	90		Wimpey	728	167	+1
Sedgwick	3,600	151	+13	Wolseley	861	428	+10
Seeboard	858	395	-17	Yorkshire Elect.	587	433	-20
Severn Trent Water	1,100	422	-1	Yorkshire Water	809	464	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Oct 5	Oct 19	Nov 2
Option Declarations:		
Oct 15	Oct 29	Nov 12
Last Dealings:		
Oct 16	Oct 30	Nov 13
Account Day:		
Oct 26	Nov 9	Nov 23

*New time dealings may take place from 8.30am two business days earlier.

Fisons up on broker sentiment

PHARMACEUTICALS group Fisons bucked the dreary performance in the sector as one of the stock's principal bears changed tack. The shares jumped to 238p at one stage and closed 9 higher at 224p on heavy turnover of 6.9m.

The stock received a boost at first as a result of heavy buying in the traded options market. Then, investment bank BZW, which has fought shy of Fisons for around five years, came out with a more positive story after a meeting with chief executive Mr Cedric Scroggs. BZW said that it had not officially changed forecasts or recommendations but had been discussing a "qualitative story" with clients. Others in the market said Mr Scroggs had been enthusiastic about the potential for two products still awaiting US approval and had persuaded BZW to increase its profit forecast from the current £140m. It is also expected that the house will upgrade its present "hold" recommendation.

Recs retreat

The regional electricity companies (Recs) retreated in busy trading as one broker cut its dividend growth forecast and others hinted they may follow. Shares in Southern, the only Rec in the FTSE 100, fell 15 to 376p on heavy turnover of 2.7m. Kleinwort Benson said that lower inflation meant that the Recs' level of dividend increase could not be sustained and that this year's 13 per cent forecast rise was likely to be only 10 per cent.

However, other electricity stock watchers added that political considerations would also overhang the rate of dividend increase, with the Recs being put under pressure to rein in the rise until the controversy over pit closures blows over. Ms Rachel Lucas at County NatWest said: "While the political climate will make the Recs careful at the November interims, I think the full-year dividend rate of increase will show no decline."

There was also additional pressure on the Recs yesterday as some in the market considered them overvalued, with a switch into the water stocks being recommended. Eastern fell 14 to 366p, London 18 to 393p, Midlands 20 to 403p and Yorkshire 20 to 433p.

Royals speculation

Troubled Royal Insurance was the focus of strong speculation early yesterday. Turnover expanded as a takeover rumours swept the market and one broker prepared a buy recommendation. The shares jumped 12 and the possibility of a bid was enough to drive the shares higher, leaving a number of traders short of stock across the board.

Once its effect had been felt, the rumour, which featured German insurer Allianz, died away. However, some analysts also argued that mortgage indemnity problems, which affect Royal particularly badly, were likely to lessen as a result of much lower base rates.

Then Credit Lyonnais Laing put out a hefty buy note, arguing that despite the very real problems of mortgage indemnity the shares were undervalued. Royal shares closed a net 7 higher at 216p with 8.5m traded, the heaviest turnover since the group passed its final dividend in February.

High street drugs group Boots tumbled after one leading house recommended profit-taking amid a general sentiment in the market that the stock had overrun. The shares closed 14 adrift at 479p in heavy turnover of 2.7m.

County NatWest believes that recent optimism surrounding the group may have been overdone. It cites falling drug margins and dull high street sales in Boots' competitors as evidence to impinge on what it expects to be otherwise "excellent interim results next month".

Exploration and production group Lasmo saw heavy turnover in the underlying shares and traded options as one analyst pointed to a "lemming-like rush for stock". Investors were worried about being caught out by the currency-related rise in E&P stocks but preferred Lasmo to Enterprise because of the overhang of stock created by the latter's recent US share issue. Lasmo gained 3 to 191p, making a gain of 26 this week, on turnover of 6.9m shares. Enterprise lifted 7 to 439p.

Turnover in Lucas Industries jumped to 14m after Hoare Govett was said to have placed around 1 per cent of the company's shares.

In a mid-morning deal, the stockbroker was thought to have bought a block of 7m at 104p, and quickly passed it on at 105p, though the original seller remained unknown. The shares closed a penny lower at 105p, having touched 110 earlier in the session.

The automotive and aerospace components group remains the subject of bid speculation with international conglomerate BTR put forward as a potential predator.

There was another day's hectic activity in the building and property sectors as institutions continued to shop around in the hope of climbing aboard for the long-awaited recovery. However, analysts continued to caution against any sustained rise on the back of this week's government pronouncements. The building materials sector was enlivened with talk of a bid for Blue Circle, the shares jumping 7 to 153p in good turnover of 4.7m. Dealers said that packaging group Carnaud Metalbox, off 5 at 2045p, was the rumoured predator.

Among housebuilders, second-liners were in demand. Berkeley Group rose 11 to 240p, Bryant 6 to 90p and Laing 12 to 190p. Costain Group was steady at 25p with 16m traded, the highest of the day.

Property group Land Securities ran into a bout of selling, the shares slipping 11 to 421p. Analysts said Wednesday's rise had been overdone and worries over the group's dividend returned. Instead investors turned their attention to MEPC, up 15 to 323p and again to the second-line stocks.

Bank stocks were very firm in active trading as most houses reassessed their value. Lloyds, the quality play, lifted 10 to 434p and troubled Barclays also lifted 10 to 334p with 15m traded. Abbey National, the most highly geared to an upturn in the housing market, lifted 5 to 331p with 11m shares traded.

The principal pharmaceutical stocks were weak as US interest died away and a few stories provided an excuse to sell. Some analysts talked of a US press article which pointed out the disparity between drug prices in the US and Canada; there is a feeling that if Mr Bill Clinton is elected president he will clamp down on US pharmaceutical prices. There was also reasonable selling of Glaxo American Depositary Receipts in the UK. This was followed by reports of a negative press story on Glaxo's asthma product Serevent. Glaxo fell 19 to 776p.

A maintained dividend by Albert Fisher sent the shares forward in early trading. But a cautious meeting with analysts pulled the shares back and they closed 1½ off at 40½p. Turnover was a very heavy 12.5m. Profit-taking advice from Hoare Govett and Panmure Gordon was said to have held Unilever back, the shares dropping 17 to 1077p.

Shares in international conglomerate BTR fell 7 to 497p early in the day after broker County NatWest advised a switch out of the stock and into Hanson. In a note set to land on investors' desks today, County said: "For many years Hanson and BTR were given similar multiples. However, Hanson now trades at a substantial discount to BTR. We belive that the differential between the two is no longer justified."

The strong market trend later helped BTR recover some of the lost ground and it closed a penny easier at 503p on trade of 5.5m shares, while Hanson gained 2 to 232p, with some 8.6m shares dealt by the close.

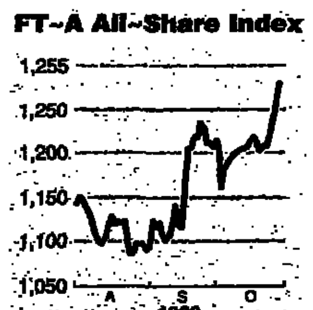
The market was cheered by GKN's north American expansion plans and the shares jumped 18 to 414p.

Chemicals group BOC fell 10 to 730p as Hoare Govett moved from a buy to a hold.

MARKET REPORTERS:
Christopher Price
Peter John
Joel Kibazo

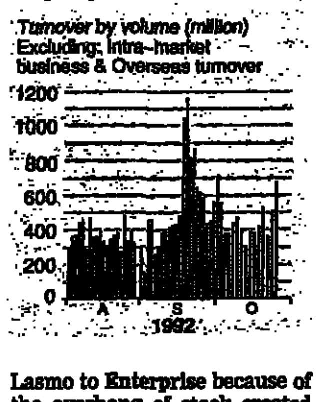
■ Other market statistics, Page 27

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (116).
BRITISH FUNDS (11) Tr. 9¾pc '02, Tr. 2pc IL '94, Tr. 4⅝pc IL '98, Tr. 2½pc IL '01, Tr. 2½pc IL '03, Tr. 4⅜pc IL '04, Tr. 2pc IL '06, Tr. 2½pc IL '09, Tr. 2½pc IL '11, Tr. 2½pc IL '13, Tr. 2½pc IL '16, AMERICANS (6) CPC, Chrysler, Dana, Eaton, Ingersoll-Rand, Pennzoil, BANKS (5) ABN Amro, Abbey Natl., HSBC, HSBC (75p Shs), Standard Chartered, BREWERS (1) Hok (J), BUSINESS SERVS (3) Hutchison Whampoa, Reliance Sec., Serco, CHEMS (3) Allied Colloids, BOC, Engelhard, CONGLOMERATES (3) Jardine, Sime Darby, Wassall, ELECTRICALS (4) Johnson, Menvier-Swain, Motorola, Sony, ELECTRONICS (2) Elect'comps., Rivs, FOOD MANUF (1) Goodman Fielder Wattie, FOOD RETAILING (6) Dairy Farm, Kwik Save, Morrison (Wm), Do 5¼pc Pf., Sainsbury, HEALTH & HSEHOLD (2) Astra, Novo Nordisk, HOTELS & LEIS (2) City Centre Rstrs., Mandarin Oriental, INSCE COMPOSITE (4) AEGON, Comm. Union, GRE, Gen. Accident, INSCE LIFE (2) Lincoln Natl., Prudential, INV TRUSTS (38) Abtrust New Dawn, Do Wts., Do B Wts., Abtrust New Thai, Alliance Tst., ECU, EFM Dragon Wts., First Philippine, Flmg. Amer., Do Cv. '98, Flmg. O'seas, French Prop., GT Ventures Wts., Gartmore Emrg. Pacific, Gartmore Euro., Gen. Cons. Sppd. Pf., Govett Oriental, Hong Kong, Do Wts., Independent, Kleinwort O'seas., London Amer. Venture, Malacca Fd Ptg., Malaysian Emrg. Co's, New Zealand Inv., Nth. Amer Gas, Do Wts., Paribas French, RIT Capital, Do 2½pc Cv. '00, River & Merc. Sppd. Pf., River Plate Zero Pf., Scott. Natl. Sppd. Pf., Do Zero Pf., Second Mkt., Siam Fd., Sth. East Asian Wts., TR Far East Inc., Thai Euro., MEDIA (6) Carlton Comms., Do 6½pc Pf., Central ITV, Haynes, News Intl., MISC (1) BAT Inds., OIL & GAS (1) Royal Dutch, OTHER FINCL (3) Jardine Strategic, Prov. Financial, Templeton Galbraith, OTHER INDLS (2) Renishaw, PACKG, PAPER & PRINTG (4) Bowater, Do 7¼pc Pf., Boxmore, De La Rue, PROP (3) Evans of Leeds, HK Land, Slough 6pc Cv. '03, TELE NETWORKS (2) BT, BT (Pt Paid), TRANSPORT (2) LOF's, Wah Kwong.
NEW LOWS (22).
BLDG MATLS (2) Bnk. Fittings, Ibstock Johnsen Wts., BUSINESS SERVS (2) Brooks Service, NMW, CHEMS (1) Leigh Ints., CONGLOMERATES (1) Gleves, CONTG & CONSTRCN (1) Baris, ENG GEN (1) Victaulic, FOOD MANUF (1) Northumbrian, FOOD RETAILING (1) Cullen's, INV TRUSTS (2) Lloyds Smllr. Co's Div., Lon. & Strathclyde, MTL & MTL FORMING (1) Cook (Wm), OTHER FINCL (1) Cambridge, PROP (1) Benchmark, STORES (1) Alexon, TEXTS (2) Foster (J), Pepe, MINES (4) Cluff Res., Europa Minerals, Monarch Res., Oryx Gold.

FINANCIAL TIMES EQUITY INDICES

	Oct 22	Oct 21	Oct 20	Oct 19	Oct 16	Year ago	*High	*Low
Ordinary share	1969.8	1951.3	1912.9	1867.2	1872.3	1929.3	2149.7	1670.0
Ord. div. yield	4.61	4.63	4.70	4.80	4.78	4.78	5.34	4.24
Earning yld % full	6.59	6.62	6.72	6.86	6.83	7.57	-	-
P/E ratio net	19.29	19.19	18.91	18.52	18.60	16.60	20.84	15.79
P/E ratio nil	17.93	17.84	17.58	17.21	17.29	15.63	-	-
Gold Mines	74.8	74.4	71.2	69.1	67.1	172.6	160.6	85.0

Basis 100: Ordinary Share (FT 30) 1/7/35; Gold Mines 12/9/55.
*for 1992. Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
1953.7	1966.4	1966.1	1972.9	1983.3	1982.4	1980.6	1971.3	1972.3	1986.9	1952.0

Volume	Oct 22	Oct 21	Oct 20	Oct 19	Oct 16	Year ago
SEAQ Bargains	29,944	32,243	25,321	22,351	28,268	26,962
Equity Turnover(£m)†	-	1543.1	1122.4	861.2	1257.0	1011.23
Equity Bargains†	-	36,344	27,699	26,619	30,373	34,559
Shares traded (mil)†	-	691.9	506.4	386.3	538.0	434.3

† Excluding intra-market business and overseas turnover.

London report and latest Share index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

THE STRENGTH of sterling gave an initial boost to stock index futures, sending the contract sharply forward before a strong bout of profit-taking caused a retreat, writes Joel Kibazo.

Demand for the December contract on the FTSE, which began trading at 2,691, was seen early in the session sending it gently forward. But continued hopes of a cut in UK base rates, the recovery of sterling and a general lack of sellers led to a squeeze mid-morning when the contract powered ahead reaching the day's high of 2,729 just before lunch.

In the afternoon, an initial bout of profit-taking gathered pace after the early lacklustre performance on Wall Street and December hit the day's low point of 2,634 half an hour before the official close.

December finished at 2,690, down 6 on Wednesday's close and around 7 points above its estimated fair value premium to cash of about 23. Turnover was a more modest 8,154 contracts. A premium of between 15 and 30 was seen throughout the session.

Volume in traded options was once again healthy, reaching 37,059 contracts. A total of 13,850 lots were dealt in the FT-SE 100 option, though a mere 416 lots were traded in the Euro FT-SE option.

In stock options, Lasmo was the day's best performer, recording a total of 1,889 trades with the February 260 calls the busiest series.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 2658.1 +12.4 | **FT-SE MID 250** 2494.6 +30.4 | **FT-A ALL-SHARE** 1253.63 +7.54

	Oct 22	Oct 21	Oct 20	Oct 19	Oct 16	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2658.1	2645.7	2617.0	2562.2	2563.9	2514.7	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2494.6	2464.2	2410.4	2380.3	2385.9	2504.0	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1278.7	1270.8	1254.3	1230.1	1231.3	1225.2	1324.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2642.8	2653.0	2652.0	2661.0	2674.1	2676.5	2673.5	2661.8	2659.5	2681.9	2642.3
FT-SE Mid 250	2465.4	2471.8	2477.4	2482.9	2494.4	2501.6	2501.5	2496.2	2494.1	2502.1	2465.4
FT-SE-A 350	1269.8	1274.4	1274.6	1278.6	1284.8	1286.5	1285.3	1280.3	1279.2	1288.4	1269.6

Gross dividend yield (ACT at 25%) FT-SE 100:4.53

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Thursday October 22 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Oct 21 Index No.	Tue Oct 20 Index No.	Mon Oct 19 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (174)	769.02	+1.1	7.39	5.69	17.66	28.80	760.37	739.58	727.63	805.68
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health & H	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years							
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years							
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated							
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Index - Linked

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs h	18$\frac{1}{16}$xd	+$\frac{1}{16}$	19$\frac{1}{8}$	14$\frac{7}{8}$	15,235	1.9
♥Allegheny & W	422p	-17	[illegible]	226p	219.3	4.2
Amdahl	480p	+10	1105p	455p	[illegible]	1.2
Amer Cyanamid	33$\frac{1}{4}$	-$\frac{5}{8}$	37	28$\frac{3}{8}$	3,845	2.9
Amer Express	12$\frac{3}{4}$xd	-$\frac{1}{4}$	13$\frac{7}{8}$	10$\frac{1}{4}$	6,[illegible]	4.7
Amer T & T	25$\frac{7}{16}$xd	-$\frac{3}{8}$	[illegible]	20$\frac{1}{8}$	[illegible]	3.0
Ameritech	41	-$\frac{1}{4}$	42$\frac{1}{4}$	32$\frac{1}{2}$	17,951	5.0
BankAmerica	27$\frac{1}{4}$xd	-$\frac{3}{8}$	27$\frac{1}{4}$	19$\frac{1}{4}$	9,249	2.8
Bankers NY	40$\frac{1}{4}$xd	-$\frac{3}{8}$	41$\frac{1}{8}$	28$\frac{7}{8}$	3,270	4.0
Bell Atlantic	29	-$\frac{1}{4}$	29$\frac{1}{8}$	23$\frac{1}{4}$	12,[illegible]	5.2
BellSouth	32$\frac{1}{8}$	—	32$\frac{7}{8}$	25	15,7[illegible]	5.0
♥Bethlehem Steel	7$\frac{7}{16}$xd	+$\frac{1}{16}$	8$\frac{5}{8}$	5$\frac{1}{4}$	672.8	—
Bowater	1196pxd	-12	1579p	905p	490.2	5.9
CPC h	29$\frac{3}{16}$xd	+$\frac{1}{16}$	29$\frac{3}{16}$	22$\frac{5}{8}$	4,477	2.4
♥Cadiz Land Inc	108p	—	342p	108p	—	—
California Engy	690p	+17	695p	591p	146.7	—
Chase Manhattan	14$\frac{15}{16}$xd	-$\frac{1}{16}$	18$\frac{1}{2}$	9$\frac{1}{8}$	2,211	4.7
Chrysler	15$\frac{1}{4}$xd	+$\frac{1}{2}$	16$\frac{1}{4}$	6$\frac{1}{4}$	4,761	2.2
Citicorp	5$\frac{7}{16}$xd	+$\frac{1}{16}$	11$\frac{1}{4}$	5$\frac{3}{8}$	3,432	—
Colgate-Palm	36$\frac{1}{2}$xd	+$\frac{1}{4}$	37$\frac{1}{8}$	26$\frac{1}{4}$	5,010	2.0
Cont'l Bank	1020p	+29	1036p	429p	1,030	3.4
Dana	24$\frac{1}{4}$xd	+$\frac{1}{8}$	24$\frac{1}{4}$	14$\frac{3}{16}$	1,134	3.8
Data General	706p	-23	1004p	384p	184.8	—
♥Decora Inds	102p	—	122p	66p	—	—
Dun & Brad	36$\frac{1}{2}$	-$\frac{1}{2}$	36	27$\frac{7}{8}$	6,334	3.8
Eaton	47$\frac{1}{8}$	+$\frac{1}{2}$	47$\frac{1}{8}$	32$\frac{1}{2}$	1,827	2.7
Echlin	12xd	-$\frac{1}{16}$	12$\frac{3}{16}$	7$\frac{1}{4}$	898.1	3.4
FPL	22$\frac{1}{4}$xd	-$\frac{1}{4}$	22$\frac{3}{8}$	17$\frac{13}{16}$	3,900	6.4
Fluor	28$\frac{1}{4}$xd	-$\frac{3}{8}$	29$\frac{1}{4}$	19$\frac{1}{4}$	2,351	0.6
Ford Motor	23$\frac{7}{16}$xd	+$\frac{1}{16}$	28$\frac{3}{8}$	15	11,030	2.4
Gen Elect	46$\frac{11}{16}$xd	-$\frac{1}{16}$	47$\frac{3}{8}$	36$\frac{1}{4}$	40,095	2.9
♥General Host	570p	-9	580p	360p	—	3.6

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv		178	+4½	178	147	3.3	205.6	14.7
Warrants		38	+1	38	21	—	—	—
Scot Mortgage		186	+3½	187	135	3.2	192.6	14.1
Scot National Inc		78	+2½	107	65¼	16.1	—	—
Cap		23	—	42	12½	—	—	—
Stepped Pf		152	+1½	152	126	8.3	—	—
Zero Div Pf		[illegible]	+½	[illegible]	166½	—	—	—
Warrants		5½	—	[illegible]	3	—	—	—
Scot Value		62	—	[illegible]	48	3.9	61.9	0.2
Sec Alliance		1266	+29	1283	1066	2.8	1438.1	12.4
Second Market		258	+2	258	222	0.8	297.8	14.6
Sec Tst Scot		69¼	+2½	75½	61	6.3	74.0	6.4
Select Assets		96	+2	102½	78½	1.2	142.9	32.8
Eq Ind Ser1		118	—	123	106	4.8	—	—
Eq Ind Ser II		118	—	128	106	4.8	—	—
SHARESCOT		98	—	98	98	—	95.4	0.4
Shires		200	+2	208	188	12.3	212.0	6.4
11pc Cv Ln '03/04		£104½	—	£119½	£95½	10.5	—	—
Siam Select		90	+1	91	68	8.4	125.1	28.5
Warrants		11	—	21	10	—	—	—
Smaller Cos		66	—	86	66	8.1	76.2	14.0
Warrants		18	—	28	10	—	—	—
Somerset Tst		114	—	140	55	—	87.1	-31.0
Sphere Inc		13	—	28	9½	31.8	20.3	38.5
Zero Div Pf		72¼	+½	77¼	63¼	—	—	—
Sprolt		35	+3	56	30	4.8	93.2	63.0
TR City of Lon		116xd	+3½	127½	97½	6.5	115.0	8.2
TR Euro Growth		76	—	98	70	2.4	98.2	22.6
Ptg Sub		33	—	64	33	5.5	—	—
TR Far East Inc		102	+1	103	76	5.8	118.8	14.1
Warrants		18	+1	22	12	—	—	—
TR High Inc		100	+2	110	91	8.8	101.2	1.1
Sub		28	+1	38	21	8.7	—	—
TR Pacific		98	+3	98	70	0.9	108.8	9.9
TR Prop		16¼	+½	27	14½	11.9	33.6	51.7
TR Smaller		118	+2	182	98	4.2	136.3	13.8
TR Technology		25	+½	37	18	9.3	117.0	79.5
Stepped Pf		95¼	-½	102¼	89¼	8.8	—	—

MEDIA - Cont.

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Utd News		442	+8	487	323	881.8	6.3
VTR		45	—	65	43	3.29	10.1
WPP		36	—	116	31	80.8	—
Warrants		3	—	8½	1½	8.15	—
Watmoughs		461	—	480	391	148.1	3.1
Yorkshire Tyne-T		131	—	191½	130	88.4	12.2

MERCHANT BANKS

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Ansbacher (H)		28	—	34	28	52.3	—
Barings 8pc Cm 2nd Prf		98	-½	108	83½	12.4	10.8
9¼pc Non-Cum Prf		119½	-½	125	103¼	47.8	10.9
Close Bros		221	—	287	205	84.9	5.7
Hambros		258	+7	282	202	433.8	7.4
7½pc Cv Pf		118	+2	119	91½	168.8	9.1
Joseph (L)		308	—	393	308	18.2	8.9
Kleinwort Benson		308	+1	324	212	382.1	7.1
Rea Bros		34	—	37	25	13.3	2.0
Schroders		1300	+2	1366	1043	882.8	1.8
N/V		1100	+2	1158	883	144.4	2.2
Singer & Fried		36	—	58	34	79.1	8.8
Warburg (SG)		539	+18	565	403	1,127	4.5
6pc Cv Pf		186	+6½	204	137	76.8	4.4
Wintrust		198	—	253	198	18.8	6.3

METALS & METAL FORMING

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
ASW		75	—	185	50	58.8	‡
Apollo Metals		83	-1	147	92	18.8	4.9
Ash & Lacy		128xd	—	188	123	34.2	8.6
Barrett (H)		9	—	45	8	3.91	‡
Billam (J)		129	—	144	84	2.88	4.4
Brit Steel		62½	+1	88	46	1,250	8.6

MINES - Cont.

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Greenwich Res		5¼	-¾	11	2	3.88	—
Hemlo Gold C$		24½	—	£15½	23¼	445.3	2.1
Hibernia West		38	—	58	32	18.1	—
Kelts Mnls		18	—	42	14	8.48	—
Kenmare		4¼	—	6½	2¼	4.88	—
Mallnga Res		9	—	48	8	8.58	—
Navan Res		31	—	31½	16	4.15	—
North West Expl A$		3	—	8	2	1.81	—
Oryx Gold		48	-3	188	48	—	—
Plateau		3½	—	13	3	1.37	—
RTZ		631	+15	668	469	6,228	4.1
Vizcaya		1¼	—	3	1	0.57	—
Western & Pac C$		44½	-22½	88	7	24.4	—

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
• Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
[illegible]

yield, p/e based on previous year's earnings. | ¶ Yield based on prospectus or other | xr ex rights; xa ex all; xc ex capital distribution.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	135.4	136.9	144.1	+0.40	0.00
AIB Grofund Equity	5	183.7	186.2	197.1	-0.60	1.84
AIB Grofund Euro	5	135.9	138.5	145.8	-0.80	0.42
AIB Grofund Gilt	3	74.14	74.16	76.45	-0.24	5.60
AIB Grofund Japan	5	119.3	120.6	127.0	...	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	371.8	374.1xd	398.0	+4.6	3.29
General Acc	5	404.9	407.3xd	433.4	+4.9	3.29
UK Growth Acc	6	273.2	277.7xd	295.5	+3.9	3.72
UK Growth Inc	6	196.0	199.2xd	212.0	+2.8	3.72
Higher Inc Acc	6	463.1	471.3xd	501.4	+8.5	5.27
Higher Inc Inc	6	285.5	290.6xd	309.2	+5.3	5.27
Gilts/Fxd Int Acc	5¼	165.1	165.1xd	174.6	-0.4	7.16
Gilts/Fxd Int Inc	5¼	88.95	88.95xd	94.06	-0.24	7.16
Nth American	6	212.2	216.8xd	230.7	-0.6	0.00
Far East	6	223.1	223.1xd	237.4	+0.8	0.46
Europe	6	192.2	192.2xd	204.5	-0.3	0.91
Brit Excell	6	56.12	56.12	59.71	+1.12	3.77
Brit Fndmntls Acc	6	70.95	70.95xd	75.48	+1.05	6.08
Brit Fndmntls Inc	6	55.69	55.69xd	59.25	+0.82	6.08
Global Opps	6	56.52	57.36	61.03	+0.46	0.00

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	126.2	126.2xd	134.0	-0.2	7.72
High Inc Equity	6	121.2	124.2xd	132.1	+1.4	6.43
Worldwide Bond	6	249.9	249.9	264.9	+0.7	5.37
Capital Growth						
American Growth	6	236.3	236.3	252.7	+1.8	.70
Asian Pacific	6	173.0	177.2	188.5	+4.1	1.01

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	79.30	80.41xd	86.00	+0.77	2.40
Do (Accum)	6	86.58	87.79	93.90	+0.84	2.40
Smaller Cos	6	58.72	58.72	62.81	+0.80	2.61
Do (Accum)	6	62.72	62.72	67.08	+0.85	2.61
Higher Yield	6	31.43	31.43xd	33.61	+0.50	5.57
Do (Accum)	6	42.48	42.48	45.44	+0.68	5.57
American Gth Inc	6	42.64	42.87	45.85	-0.15	0.16
Do (Accum)	6	43.45	43.69	46.72	-0.15	0.16
European Growth	6	84.35	84.35xd	90.22	-0.20	2.09
Do (Accum)	6	85.14	85.14	91.05	-0.20	2.09
Global Bond Inc	6	27.12	27.16	28.83	-0.09	5.11
Do (Accum)	6	32.50	32.55	34.55	-0.11	5.11
Managed P'folio Inc	6	27.48	27.55xd	29.47	+0.24	0.00
(Do Accum)	6	27.55	27.63	29.55	+0.24	0.00
Pacific Growth Accum	6	74.29	75.02	80.23	+0.99	1.03
Intl Spec Opps Accum	6	63.82	64.76	69.27	+1.70	1.83

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	72.85	72.85	77.59	+0.12	2.68
Mngd P'folio Acc	6	136.4	136.4	145.3	+0.20	-
UK General	6	119.2	119.2xd	126.9	-0.20	4.00
Conv & General	6	15.03	15.03xd	16.01	+0.25	9.64
European Inc	6	20.00	20.00xd	21.60	-0.16	0.52
European Acc	6	20.54	20.54	22.19	-0.16	-
Financial	6	89.23	89.23	95.03	+1.35	4.68
Foundation	6	58.23	59.91xd	63.80	+0.63	4.40
German	6	37.59	37.59	40.28	-0.19	0.10
Growth Inc (5-1)	5	25.56	25.56	27.36	-0.11	3.40
Growth Acc (5-1)	5	29.51	29.51	31.47	-0.13	-
High Income	6	58.48	58.88xd	63.47	+0.90	7.40
Income	6	96.23	98.13xd	105.2	+0.70	5.52
Intl Income	6	79.32	79.32	84.48	-0.31	5.71
Intl Growth ‡	6	27.37	27.37xd	29.15	+0.16	0.27
Monthly Income	6	55.61	55.69	59.31	+0.89	5.68
North American	6	82.46	82.46	87.82	+0.60	0.25
Orient ‡	6	85.99	85.99	92.49	+0.60	-
Recovery	6	25.30	25.43	27.46	+0.27	4.30
Smaller Cos Acc	6	185.6	185.6	197.7	+4.90	-
Smaller Cos Inc	6	110.3	110.3xd	117.5	+4.60	1.96

Brycourt Unit Tst Mgmt Ltd (2400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	171.4	171.4xd	176.3	...	6.58

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing 0277 261010 Enq 0903 204631

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	221.2	224.7xd	239.0	+1.0	5.88
(Accum Units)	5	376.8	382.9	407.3	+1.7	5.88
UK Growth	5	287.0	289.6xd	308.0	+0.9	3.42
(Accum Units)	5	357.3	360.4	383.4	+1.0	3.42
Int Equity Gth ‡	5	51.52	51.62	54.91	+0.1	1.12
Intl Bond	5	62.77	62.77	65.93	+0.16	6.29
Special Sits Grth	5	14.31	14.74xd	15.68	-0.02	3.64
North American Gth	5	78.47	78.71xd	83.73	+0.06	0.96
European Growth ‡	6	52.93	53.21xd	56.60	-0.08	1.15

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
Int'l Bond & Conv	5	114.00	116.30	122.40	+0.40	6.27
Pooled Pension ♦	3½	234.8	139.2	144.0	.....	-
Smaller Cos	5	50.17	51.93	54.66	+0.30	2.74
UK General	5	106.90	108.60	114.30	-0.19	2.67
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071-407 5966						
Income	5	342.81	342.81	363.38	+4.44	5.67
Global Inc	5	48.68	48.68	51.60	+0.66	4.71
Brit Leaders	5	291.85	291.85	309.36	+2.68	3.50
Int'l Leaders	5	157.14	157.14	166.57	+0.53	1.97
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	44.52	44.60xd	47.45	-0.32	2.09
Far Eastern Tst	6	51.10	51.35	54.61	+0.23	0.91
Smaller Cos	5	105.5	110.0	116.9	+0.1	3.09
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ♦	5	237.7	238.1	251.9	+3.2	0.96
S & W Capital	5	103.1	103.1	110.6	+1.50	1.91
S & W European	5	101.1	101.4	107.3	+1.4	1.50
S & W Thoroughbred	5	125.7	125.7xd	135.0	+1.40	1.87
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing – 12 Noon Historic						
American Gwth	5¼	64.00	64.00xd	68.44	+0.03	0

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	83.85	83.85	85.80	-0.09	0.00
Short Dtd Gilt	1¼	106.3	106.3	107.7	-0.2	1.93
Gilt Growth	4	62.39	62.39	64.92	-0.04	0.00
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	58.73	58.86	62.61	+0.49	2.83

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exmt Oct 21	606.9	627.4	.....	1.11
James Capel Fund Managers Ltd				
Managed Exempt	116.517	123.232	+0.811	4.54
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517.80	519.90	.....	5.69
Fxd Int Sec Sep 30	144.40	145.00	.....	10.00
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	173.0	175.0	(z)	9.37
Charinco Acc	990.2	1001.8	(z)	9.37
Charishare Inc	170.2	174.1	(z)	4.54
Charishare Acc	215.8	220.7	(z)	4.54

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

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Prolific Life & Pensions Ltd

Stramongate, Kendal Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd	594 8	632.8	+3.5	-
Adventurous Mngd	140 9	149 9	+0 6	-
Cautious Mngd	115 3	122 7	+0.5	-
Cash Fd	311 8	328 6	----	-
Property Fund	216 8	230 7	.	-
Equity Fund	673 1	716 1	+3.9	-
Fxd. Int. Fund	379 1	399.5	+3.2	-
International	304.1	323.6	+1.8	-
High Income	521 0	554.3	+3 6	-
Far East	412.4	438 8	+4 6	-
North American	372 8	396.7	+2.0	-
Special Sits	475.0	505.4	+3 3	-
Technology	368 4	392 0	+1.7	-
Extra Inc Fd	283.2	301.3	+2.4	-
Convertible & Gilt Fd	135 1	143 8	+0.8	-
American Income	157 7	167.8	-0.5	-
Gilt Fund 20	433.4	461.1	+3.4	-
European Fund	109.3	116.3	+0.4	-
Pref & Fixed Int	100 7	107.2	+0.2	-
UK Blue Chip	108 8	114 7	+0.9	-
Recovery Fund	98.1	103 4	+1.0	-
Equity Income Dist	94.6	100.7	+1.2	5.25
Managed Dist	90 2	96 0	-0 1	5 55
High Yield Dist	96.5	101 7	+1.4	7.85
Pension Funds				
Balncd Gth Mngd Pens Acc	681 1	717.0	+4.1	-
Adventurous Mngd Pens Acc	145 5	153.2	+3 4	-
Cautious Mngd Pens Acc	131.2	138 2	+0.6	-
Building Soc. Acc	358.2	377.1	----	-
Property Pens Acc	294 3	309 8	...	-
Fix Int. Pens Acc	590.5	621.6	+2.6	-
Equity Pens. Acc	847.2	891.8	+4.8	-
International Pens Acc	277 5	292.2	+1.9	-
High Inc Pens Acc	579.9	610 5	+4 7	-
Tech Pens Acc	255 4	268.9	+0.8	-
N American Pens Acc	277.0	291.6	+1.4	-
Far Eastern Pens Acc	404 6	425.9	+4.1	-
Special Sits Pens Acc	389 4	409 9	+2.8	-
Extra Income Pens Fd	344 5	362.7	+2.8	-
Convertible & Gilt Pen	165.0	173 7	-0 7	-
American Inc Pens	176.5	185.8	+0.7	-
European Pens	121.4	127.8	+1.2	-

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd	165 8	174.5	-	
Equity Acc Fd	370.5	390 0	+2.1	
Managed Acc Fd	314.3	330 8	----	
Prop Fd (1st Issue)	-	570 1	--	
Prop Acc Fd (2nd Iss)	116.8	122 9	...	
Unit Trust Mn Fd	134.5	141.6	.....	
RL Pension Funds				
Deposit Acc	239.7	252.3	+0.1	
Equity Acc	269 6	283.8	+2.0	
Fixed Int Acc	234.6	247 0	.	
Gilt Indx Lnk Acc	177.4	186 7		
Managed Acc	338.4	356.3	----	

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone 0285 640302 Helpline. 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	104.1	109.6	+1 50	
JRA/Scottish Amicable Mngd	99.40	104.7	+1.70	
JRA/St James's Place Mngd	105.6	111.2	+0 30	
Deposit	98.70	103 9	...	
Far East	108.2	113 9	+1.00	
Gilts	102.0	107.4	+0 50	
Greater European	105.3	110 9	.	
North American	112.6	118 6	+1 30	
UK Equity	102.6	108 1	+2.00	
Pension Funds				
JRA/M&G Managed cap	101.2	106.6	+1.60	
JRA/M&G Managed acc	104 0	109.5	+1 70	
JRA/Scottish Amicable Mngd cap	95.70	100.8	+1 70	
JRA/Scottish Amicable Mngd acc	98.30	103 5	+1.80	
JRA/St James's Pl Mngd cap	106.5	112.2	+0.30	
JRA/St James's Pl Mngd Acc	109 4	115.2	+0.30	
Deposit cap	98 80	104.1	.	
Deposit acc	101.5	106.9	.....	
Far East cap	104.4	109.9	+1.30	
Far East acc	107.2	112.9	+1.40	
Gilts cap	100 4	105.7	+0.50	
Gilts acc	103.0	108.5	+0.50	

Sun Alliance Group—Contd.

Albany International Assurance Ltd

St Mary's, Castletown, Isle of Man 0624 823262

Target International Group

1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

Adams & Neville Fd Mangt (Guernsey) Ltd

PO Box 255 St Peter Port, Guernsey CI 0481 710651

Baring Intl Fd Managers (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey 0481 710651

Equitable International Fund Managers Ltd

Lazard Fund Managers (CI) Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

OFFSHORE INSURANCES

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Gartmore Fund Managers (IoM)				
Intl. Inc.*	16.0	17.0	+0 1	12.0
* Projected Yield				
John Govett Management (IoM) Ltd				
Dlr Geared Dsr NAV Oct 16	$16.24			-
Paragon Plus Bal Oct 1	£9 17			-
Paragon Stlg Bal Oct 1	£10 60			-
SE Asian Wt NAV Oct 15	$9 81			-
Govett Mgd Fut Oct 16	£13 82	15.11		-
Govett Mngd Futs Oct 16	$09.92	10 85		-
Mex Horizons Inc Oct 15	$13 04			-
Mex Horizon Inv Wts Oct 15	$5 87			-
Dllr Geared Bd Oct 16	$8.00			-
IBI Global Funds Limited				
Intl Stlg Gwth	£19.13	20.14		-
Intl $US Gwth	$17.58	18.51		-
High Income Gilt	£25.39	26.32		-
International Equity	£19 12	20.14		-
International Bond	£22.04	22.85		-
Managed Currency	£26.92	27.20		-
Sterling Currency	£26 24	26 51		-
US$ Currency	$37 66	38.05		-
Irish £ Currency	I£14 94	15.10		-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8 18	8.81		-
B F. Offshore Inc Fd Ltd	£10 71	11.21		-
[illegible]	£8.76	9 12		-
LFM Sterling Fd	£10.69	11.14		-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		[illegible]	20.8136		-
Managed Capital Bd	5		[illegible]	20.8739		-

	Bid Price	Offer Price	+ or -	Yield Gross
INVESCO MIM International Limited				
All Funds deal daily except where indicated.				
Sterling Denominated Income Funds				
American Equity Inc.	£1 644	1 766	-0.005	2.59
Japan Inc & Gwth.	£1 368	1 468	+0 011	1.00
Sterling Denominated Growth Funds				
Capital Deposit	£37 62	37 62		-
European Perform	£0 4149	0 4461	-0 0027	-
Far East	£2 377	2.556	+0 025	-
Pioneer Markets	£3 374	3.628	+0 036	-
UK Growth	£1.144	1.230	-0 004	2 20
£ Mng Portfolio	£1.503	1.625	+0.004	-
US Dollar Denominated Growth Funds				
Gold & Prec Mtls	$0 646	0 695	+0 009	-
Japan Performance	$2.051	2.205	+0 006	-
Gtd NW 1994 **	$9 10	-		-
MIM London Agents				
Apollo Fd Oct 21*	SFr78 00	83 72		-
*Weekly Dealing †Fortnightly Dlng **Monthly Dlng				
Lloyds Bank Trust Co (CI) Mngrs				
Lloydsmst World Inv Port	£2 400	2.520	+0 097	1 18
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9 84	9 89	-0 03	9 51
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Oct 22	$13.71	14 00	+0 08	2.86
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	92 8	95 0	+0 01	8.16
UK Equity Fd (z)	206 8	220 0	+0 06	2.92
*Intl Bond Fd	97 9	101 0	+0.04	7.53
**Natural Resources Fd	110 2	117 0	......	0.43
*Sterling Mngd Asset Fd	526.4	555 0	+0 16	5 00
*Sub. day every Thurs. **Sub day monthly 5th and 20th				
NatWest TrustCo Currency Fund (z)				
Dollar Class	$37.9956		+0 0229	-
Sterling Class	£26 6626		+0 0167	-
D-Mark Class	DM82.6046		+0 0547	-
Dutch Guilder Class	Dfl82.1665		+0 0492	-
Japanese Yen Class	Y7928.4332		+2.0143	-
[illegible]				
[illegible]	10 71	11 13		-
[illegible]	$10 20	10.58		-
Northgate Unit Tst. Mngr. (Jersey) Ltd				

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar volatile against DM

THE DOLLAR zig-zagged against the D-Mark on the foreign exchanges yesterday, staging another rally against the German currency in Thursday's Asian trading but slipping in Europe as dealers took short-term profits, *writes James Blitz.*

The D-Mark was stronger against the dollar and European currencies on Wednesday after the Bundesbank engineered a smaller cut in money market rates than expected. However, traders pushed the dollar up to a high of DM1.5250 in Asia overnight, partly reacting to rumours that Mr Boris Yeltsin was planning to resign as President of Russia.

Yesterday morning, this move was reversed and the dollar moved back to a low of DM1.5035 in Europe. Mr Robert Parry, President of the Federal Reserve Bank of San Francisco, helped the currency down by saying that the Fed could ease interest rates again because of the sluggishness of the US economy. The dollar closed at DM1.5100 against the D-Mark, up nearly a pfennig.

There were signs yesterday that the market is still unsure when the dollar will stage a fundamental rally against the D-Mark. The market did not respond to a surprisingly upbeat set of jobless data, with claims for the week to October 10 falling to 368,000 from 383,000.

However, Mr Christian Dunis, an economist at Chemical Bank in London, said that the market remains fundamentally bullish about the US currency. "There is pent-up demand for dollars," he said, claiming that the majority of potential dollar buyers have still not come into the market yet. He believes that a break through DM1.53 would see more substantial investor interest.

Sterling rose against the D-Mark in Asia, partly buoyed by the dollar's rise, but mostly helped by the House of Commons' decision to support the UK government in a vote on the closure of the UK coal mines. The pound closed at DM2.4500 against the D-Mark, up nearly two pfennigs.

Sterling's moves are increasingly difficult to assess because the UK authorities are increasingly committed to cutting interest rates, paying less heed to the exchange rate. Mr Ian Beauchamp, chief economist at Hambros Bank in London, says that the only way of judging it is by its trade weighted value, which he puts at DM2.55. "When it is below that, we have to assess how bad Britain's political situation is, and, right now, it is very bad," he said.

Fears that today's European Monetary Committee meeting in Berlin heralds a realignment of the European exchange mechanism continued to evaporate yesterday, and most European currencies looked firmer against the D-Mark. The Italian lira closed at L877.6 against the D-Mark from a previous L879.6.

£ IN NEW YORK

Oct.22	Latest	Previous Close
£ Spot	1.6230-1.6240	1.6055 1.6065
1 month	0.78-0.74pm	0.79 0.78pm
3 months	1.70-1.67pm	1.78 1.75pm
12 months	4.50-4.40pm	4.65 4.55pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.22	Previous
8.30 am	80.2	80.0
9.00 am	80.3	80.2
10.00 am	80.3	80.2
11.00 am	80.4	80.1
Noon	80.3	80.0
1.00 pm	80.3	79.9
2.00 pm	80.3	80.0
3.00 pm	80.3	80.1
4.00 pm	80.4	79.7

CURRENCY MOVEMENTS

Oct 22	Bank of England Index	Morgan** Guaranty Changes %
Sterling	80.4	-30.5
U.S Dollar	62.7	-15.4
Canadian Dollar	95.5	-5.6
Austrian Schilling	114.1	+15.6
Belgian Franc	116.0	+1.7
Danish Krone	115.4	+8.5
D-Mark	125.0	+31.1
Swiss Franc	113.4	+21.6
Dutch Guilder	119.4	+20.6
French Franc	109.5	-7.4
Lira	87.1	-29.6
Yen	150.1	+85.3
Peseta	99.5	-23.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.21

CURRENCY RATES

Oct. 22	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.878863	0.800179
U.S Dollar	3.00	1.41866	1.29989
Canadian $	7.81	1.75602	1.61693
Austrian Sch	8.25	15.1087	13.8256
Belgian Franc	8.00	44.1061	40.4494
Danish Krone	9.50	8.25305	7.56082
D-Mark	8.25	2.14700	1.96518
Dutch Guilder	8.00	2.41371	2.21072
French Franc	10¼	7.27773	6.66584
Italian Lira	15.00	N/A	1720.26
Japanese Yen	3.25	173.715	157.352
Norway Krone	-	8.79881	8.00928
Spanish Peseta	-	151.618	140.292
Swedish Krona	50.0	8.09899	7.41263
Swiss Franc	6.00	1.91980	1.75329
Greek Drach	19	N/A	254.883
Irish Punt	-	N/A	0.745179

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct.21

OTHER CURRENCIES

Oct 22	£	$
Argentina	1.6090 - 1.6120	0.9900 - 0.9910
Australia	2.2550 - 2.2575	1.3870 - 1.3880
Brazil	11947.4 - 11947.8	7350.00 - 7350.20
Finland	7.7630 - 7.8355	4.7700 - 4.7800
Greece	314.950 - 321.050	195.150 - 199.050
Hong Kong	12.5625 - 12.5795	7.7290 - 7.7300
Iran	2300.00*	1430.00*
Korea(Sth)	1250.40 - 1270.55	779.80 - 786.00
Kuwait	0.48125 - 0.48185	0.29560 - 0.29580
Luxembourg	50.30 - 50.40	31.00 - 31.10
Malaysia	4.0645 - 4.0770	2.5035 - 2.5050
Mexico	5079.65 - 5082.95	3125.00 - 3127.00
N.Zealand	3.0055 - 3.0115	1.8490 - 1.8525
Saudi Ar	6.0185 - 6.1325	3.7495 - 3.7505
Singapore	2.6215 - 2.6290	1.6140 - 1.6150
S.Af (Cm)	4.7340 - 4.7435	2.9230 - 2.9250
S.Af (Fn)	7.0520 - 7.0975	4.3385 - 4.3665
Taiwan	41.05 - 41.20	25.25 - 25.35
U.A.E.	5.8925 - 6.0065	3.6715 - 3.6735

*Floating rate. Iran Official rate £103.20 $64.60

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 22	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4494	-3.59	4.55	49
Dutch Guilder	2.29193	2.21072	-3.54	4.50	47
D-Mark	2.03412	1.96518	-3.39	4.34	52
Danish Krone	7.75901	7.56082	-2.56	3.44	-1
French Franc	6.82216	6.66584	-2.29	3.17	-16
Irish Punt	0.759300	0.745179	-1.86	2.71	-32
Portuguese Escudo	176.844	175.368	-0.83	1.65	-4
Spanish Peseta	139.176	140.292	0.80	0.00	-33

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6120 - 1.6295	1.6210 - 1.6220	0.77-0.75cpm	5.62	1.69-1.66pm	4.13
Canada	1.9900 - 2.0250	2.0205 - 2.0215	0.24pm-0.04cpm	0.83	0.45pm-0.05pm	0.49
Netherlands	2.7490 - 2.7710	2.7525 - 2.7625	par-0.09cdis	-0.2	0.63-0.78dis	-1.02
Belgium	50.25 - 50.70	50.30 - 50.40	2pm-3cdis	-0.12	8-15dis	-0.91
Denmark	9.4010 - 9.4820	9.4250 - 9.4350	4.00-5.75oredis	-6.2	11.00-14.00dis	-5.3
Ireland	0.9270 - 0.9340	0.9280 - 0.9290	0.48-0.68pdis	-7.5	1.35-1.94dis	-7.09
Germany	2.4435 - 2.4630	2.4475 - 2.4525	0.03pm-0.10pfdis	-0.17	0.66-0.77dis	-1.17
Portugal	216.35 - 218.90	217.80 - 218.80	195-320cdis	-14.15	510-725dis	-11.31
Spain	172.40 - 175.50	175.15 - 175.45	55-100cdis	-5.31	240-300dis	-6.16
Italy	2138.00 - 2163.00	2149.50 - 2150.50	10-13liredis	-6.42	34-38dis	-6.7
Norway	9.8810 - 10.0470	9.9625 - 9.9725	0.90-3.00oredis	-2.35	6.20-10.60dis	-3.37
France	8.2910 - 8.3525	8.3025 - 8.3125	1.07-1.35cdis	-1.75	4.78-5.35dis	-2.44
Sweden	9.1540 - 9.2860	9.2525 - 9.2625	2.07-4.62oredis	-4.34	9.642-13.45dis	-4.99
Japan	195.25 - 197.90	195.25 - 196.25	0.82-0.77ypm	4.87	1.90-1.83pm	3.81
Austria	17.18 - 17.30	17.23 - 17.25	1¼-½gropm	0.57	2½-5½dis	-0.91
Switzerland	2.1835 - 2.4630	2.1850 - 2.1950	0.46-0.38cpm	2.30	0.79-0.66pm	1.32
Ecu	1.2480 - 1.2550	1.2480 - 1.2490	0.15-0.21cdis	-1.73	0.71-0.85dis	-2.50

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.80-2.75pm. 12 Month 4.50-4.40pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6120 - 1.6295	1.6210 - 1.6220	0.77-0.75cpm	5.62	1.69-1.66pm	4.13
Ireland†	1.7325 - 1.7505	1.7460 - 1.7470	1.85-1.65cpm	12.02	4.80-4.20pm	10.31
Canada	1.2380 - 1.2450	1.2430 - 1.2440	0.49-0.55cdis	-4.83	1.05-1.25dis	-3.70
Netherlands	1.6925 - 1.7140	1.7000 - 1.7010	0.81-0.84cdis	-5.82	2.18-2.24dis	-5.20
Belgium	30.95 - 31.35	31.00 - 31.10	14.00-16.00cdis	-5.80	38.00-41.00dis	-5.09
Denmark	5.7875 - 5.8575	5.8125 - 5.8175	4.00-5.75oredis	-10.06	11.00-14.00dis	-8.60
Germany	1.5035 - 1.5245	1.5100 - 1.5110	0.75-0.77pfdis	-6.04	2.00-2.03dis	-5.34
Portugal	134.30 - 135.15	134.35 - 134.45	200-270cdis	-20.98	460-590dis	-15.63
Spain	107.20 - 108.25	107.70 - 107.80	95-110cdis	-11.42	270-300dis	-10.58
Italy	1316.00 - 1340.05	1325.75 - 1326.25	12.80-14.30liredis	-12.26	35.00-38.00dis	-11.01
Norway	6.1340 - 6.2095	6.1450 - 6.1500	3.50-4.70oredis	-8.00	10.40-12.90dis	-7.58
France	5.1015 - 5.1680	5.1200 - 5.1250	3.10-3.20cdis	-7.38	8.35-8.60dis	-6.62
Sweden	5.6735 - 5.7480	5.7075 - 5.7125	4.00-5.50oredis	-9.98	12.00-14.25dis	-9.19
Japan	120.50 - 122.40	120.65 - 120.75	0.07-0.08ydis	-0.75	0.09-0.11dis	-0.33
Austria	10.6200 - 10.7100	10.6430 - 10.6480	4.64-5.03grodis	-5.45	12.90-14.00dis	-5.05
Switzerland	1.3425 - 1.3990	1.3495 - 1.3505	0.36-0.39cdis	-3.33	0.99-1.00dis	-2.89
Ecu	1.2870 - 1.3035	1.3010 - 1.3020	0.82-0.78cpm	7.38	2.15-2.09pm	6.52

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 22	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13 - 11	11 - 10	8½ - 8¾	7⅝ - 7½	7⅜ - 7¼	6¾ - 6⅝
US Dollar	3 - 2⅞	3¼ - 3⅛	3¼ - 3⅛	3½ - 3⅜	3⅜ - 3⅞	3⅞ - 3¾
Can. Dollar	7⅝ - 7½	7½ - 7¼	7⅞ - 7⅞	7⅜ - 7¼	7⅛ - 6⅞	7 - 6⅞
Dutch Guilder	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞	8½ - 8⅜	8⅜ - 8⅛	7⅜ - 7⅜
Swiss Franc	7¼ - 6⅞	6⅞ - 6⅝	6⅝ - 6½	6⅜ - 6⅜	6⅜ - 6⅜	6⅜ - 5⅞
D-Mark	9 - 8¾	9 - 8¾	8⅞ - 8¾	8⅞ - 8⅞	8⅝ - 8⅝	7⅞ - 7⅞
French Franc	10¼ - 10⅛	10¼ - 10⅛	10¼ - 10	9⅞ - 9⅞	9⅝ - 9½	9⅛ - 8⅞
Italian Lira	15 - 13	15½ - 14⅝	15 - 14½	14⅞ - 14⅞	14½ - 14	14 - 13⅝
Belgian Franc	8⅞ - 8⅞	8¾ - 8⅝	8⅝ - 8½	8⅞ - 8⅞	8⅜ - 8⅛	8 - 7⅞
Yen	4⅛ - 4	4⅛ - 3⅞	4 - 3⅞	3⅞ - 3⅞	3⅝ - 3⅝	3⅞ - 3⅝
Danish Krone	12 - 11	13 - 12	13 - 12½	12¾ - 12¼	12¼ - 11¼	11½ - 11
Asian $Sing	1⅝ - 1½	1⅝ - 1⅝	1⅞ - 1⅞	2 - 1⅞	2⅛ - 2⅛	2⅝ - 2½
Spanish Peseta	15½ - 15¼	14¼ - 14	14⅞ - 14⅛	14⅞ - 13⅞	13⅞ - 13¼	13½ - 13¼

Long term Eurodollars: two years 4⅛-4⅛ per cent; three years 5⅛-5⅛ per cent; four years 5⅞-5⅞ per cent; five years 6⅛-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.22	£	$	DM	Yen	F Fr.	S Fr.	N FL	Lira	C$	B Fr.	Pta	Ecu
£	1	1.622	2.450	195.8	8.308	2.190	2.758	2150	2.021	50.35	175.3	1.250
$	0.617	1	1.510	120.7	5.122	1.350	1.700	1326	1.246	31.04	108.1	0.771
DM	0.408	0.662	1	79.92	3.391	0.894	1.126	877.6	0.825	20.55	71.55	0.510
YEN	5.107	8.284	12.51	1000.	42.43	11.18	14.09	10981	10.32	257.2	895.3	6.384
F Fr.	1.204	1.952	2.949	235.7	10.	2.636	3.320	2588	2.433	60.60	211.0	1.505
S Fr.	0.457	0.741	1.119	89.41	3.794	1	1.259	981.7	0.923	22.99	80.05	0.571
N FL	0.363	0.588	0.888	70.99	3.012	0.794	1	779.6	0.733	18.26	63.56	0.453
Lira	0.465	0.754	1.140	91.07	3.864	1.019	1.283	1000.	0.940	23.42	81.53	0.581
C$	0.495	0.803	1.212	96.88	4.111	1.084	1.365	1064	1	24.91	86.74	0.619
B Fr.	1.986	3.221	4.866	388.9	16.50	4.350	5.478	4270	4.014	100.	348.2	2.483
Pta	0.570	0.925	1.398	111.7	4.739	1.249	1.573	1226	1.153	28.72	100.	0.713
Ecu	0.800	1.298	1.960	156.6	6.646	1.752	2.206	1720	1.617	40.28	140.2	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
[illegible]	4.26	-	-	0.03	0.24	-
[illegible]	3.30		-	0.06	0.35	-
[illegible]	2.34	3.20	-	0.14	0.54	-
[illegible]	1.49	2.61	-	0.25	0.79	-
[illegible]	0.79	1.83	-	0.62	1.10	-
Open Int	301,507	93,439	1,702	223,149	83,301	1,460

Estimated volume 60,623 † Total Open Interest 704,558
† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6215	1.6139	1.6048	1.5938	1.5770

BASE LENDING RATES

	%		%		%
Adam & Company	8	Credit Lyonnais	8	McDonnell Douglas Bnk.	8
Allied Trust Bank	9	Cyprus Popular Bk	8	Midland Bank	8
AIB Bank	8	Duncan Lawrie	8	Mount Banking	9
● Henry Ansbacher	8	Equatorial Bank plc	8	NatWestminster	8
B & C Merchant Bank	13	Exeter Bank Limited	9.5	Northern Bank Ltd	8
Bank of Baroda	8	Financial & Gen. Bank	9	Nykredit Mortgage Bank	8.5
Banco Bilbao Vizcaya	8	● Robert Fleming & Co.	8	● Rea Brothers	8
Bank of Cyprus	8	Robert Fraser & Ptnrs.	8.5	Roxburghe Bank Ltd.	10
Bank of Ireland	8	Girobank	8	Royal Bk of Scotland	8
Bank of India	8	● Guinness Mahon	8	● Smith & Williamson Secs.	8
Bank of Scotland	8	Habib Bank AG Zurich	8	Standard Chartered	8
Banque Belge Ltd	9	● Hambros Bank	8	TSB	8
Barclays Bank	8	Hampshire Trust Plc	13.5	Unibank plc	8
Brit Bk of Mid East	8	Heritable & Gen Inv Bnk.	8	● United Bk of Kuwait	9
● Brown Shipley	8	● Hill Samuel	8	Unity Trust Bank Plc	8
CL Bank Nederland	8	C. Hoare & Co.	8	Western Trust	8
Citibank NA	8	Hongkong & Shanghai	8	Whiteaway Laidlaw	8
City Merchants Bank	8	Julian Hodge Bank	8	Yorkshire Bank	8
Clydesdale Bank	8	● Leopold Joseph & Sons	8		
Co-operative Bank	8	Lloyds Bank	8		
Coutts & Co	8	Meghraj Bank Ltd	8		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Improved liquidity

THE LIQUIDITY problem that dogged the sterling cash market in the early part of this week eased yesterday after most of the shortage forecast by the Bank of England was removed in the early round, *writes James Blitz.*

For most of this week, the sterling market has been very illiquid. This is partly because of the reluctance of dealers to offer bills to the Bank at current dealing rates, fearing that there will be another base rate cut to follow last Friday's.

UK clearing bank base lending rate
8 per cent
from October 16, 1992

Last week, for example, the Bank issued a 26-day repurchase agreement at the 9 per cent structure of base rates, only to signal a cut in base rates two days later. Dealers would not want to be caught out by such a move again.

There are also big shortages in the market. This is partly due to the tax collection period which begins around now, leaving banks short of funds.

But one discount house dealer said that the market continues to be hampered by the absence of a broad base of liquidity. Discount houses, he said, do not have many bills to offer the Bank, because commercial banks are no longer obliged to deposit a minimum proportion of funds with the London discount market.

As a result of the shortage, the overnight rate opened yesterday at 18 per cent, with 1 month money offered 1¾ per cent above base rate.

The Bank of England forecast a shortage of £1.8bn in the morning. But, to the surprise of some players, £1.3bn of bills were sold to the Bank in the early round.

One commercial bank dealer suggested that the bills had been offered by a UK clearing bank which wanted to get the short-dated rates down to manage its book. The bank could have "locked itself in" to lending money at 9¼ per cent in the morning, later borrowing money on the interbank market as the rate dropped to 8¾ per cent.

The move helped to push short-dated rates down. Three-month money closed at 7¾ per cent offered, down ¼ per cent on the day. The December short sterling contract, which hit a low of 93.25 before the early round in the cash market, rose to a close of 93.36 at the end of trading. Strictly speaking, this assumes that 3-month money will be trading at 6¼ per cent by Christmas.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.22) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3⅞	offer 3⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	2.73	Three year	4.78
Broker loan rate	5	Two month	2.91	Five year	5.79
Fed.funds	3	Three month	2.97	Seven year	6.34
Fed.funds at intervention	-	Six month	3.26	10-year	6.76
		One year	3.46	30-year	7.62
		Two year	4.24		

Oct.22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.75-8.85	8.75-8.90	8.75-8.90	8.70-8.85	8.20-8.35	9.50
Paris	10¼-10¼	10-10⅛	-	9⅞-9⅞	-	9.60
Zurich	6⅞-7	6⅞-6⅞	-	6⅞-6⅞	-	-
Amsterdam	8.75-8.81	8.60-8.68	-	8.50-8.60	-	-
Tokyo	3⅞-4⅛	4⅞-4⅛	-	-	-	-
Milan	14⅞-15	15	-	14⅞-14⅞	-	-
Brussels	8⅞-8⅞	8⅞-8⅞	-	8⅞-8⅝	-	-
Dublin	14-14½	14⅞-15¼	14½-15	14½-15	13-13½	-

LONDON MONEY RATES

Oct 22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	17	10½	9	8	7¼	7
Interbank Bid	6	9½	8½	7½	7	6⅞
Sterling CDs	-	-	8⅞	7⅞	7⅛	7⅛
Local Authority Deps.	12	11	8¾	7¾	7⅛	7
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt. Deps	9½	9⅛	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	8⅝	7¾	7⅛	6⅞
Treasury Bills (Buy)	-	-	7⅝	7⅞	6⅞	-
Bank Bills (Buy)	-	-	7¾	7⅞	6⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.15	3.18	3410	3.70
SDR Linked Dep. Offer	-	-	5⅞	5⅝	5½	5½
SDR Linked Dep. Bid	-	-	5¼	5½	5⅜	5⅜
ECU Linked Dep. Offer	-	-	10¼	10⅛	9⅞	9⅞
ECU Linked Dep. Bid	-	-	10	9⅞	9⅞	9⅞

Treasury Bills (sell); one-month 7½ per cent; three months 6⅞ per cent; six months 6⅞ per cent; Bank Bills (sell): one-month 7⅞ per cent; three months 7 per cent; Treasury Bills; Average tender rate of discount 7.5005. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1992. Agreed rates for period Oct. 26, 1992 to November 24, 1992, Scheme I: 11.18 p.c.. Schemes II & III: 11.18 p.c. Reference rate for period August 29, 1992 to September 30, 1992, Scheme IV&V: 10.112 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from October 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 4⅞ per cent; one-three months 7 per cent; three-six months 6½ per cent; six-nine months 6¼ per cent; nine-twelve months 6 per cent; Under £100,000 4⅞ per cent from Oct 20, 1992, Deposits withdrawn for cash 4 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

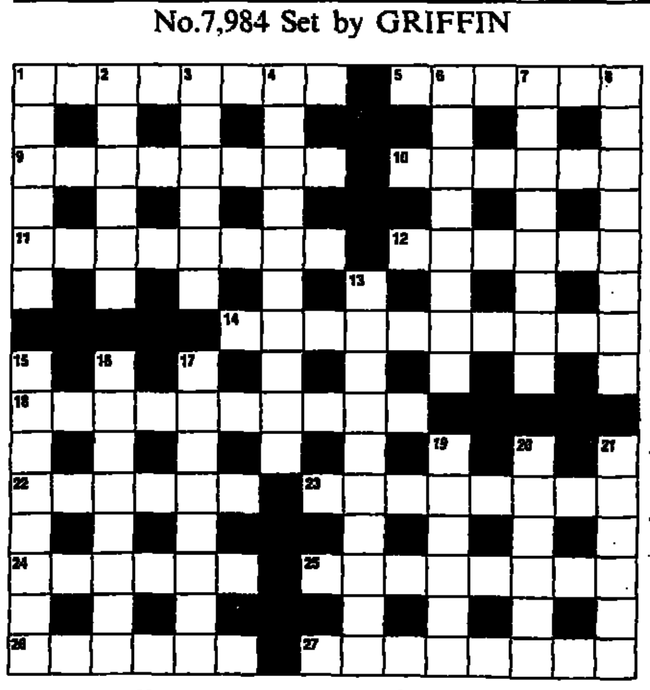
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,984 Set by GRIFFIN



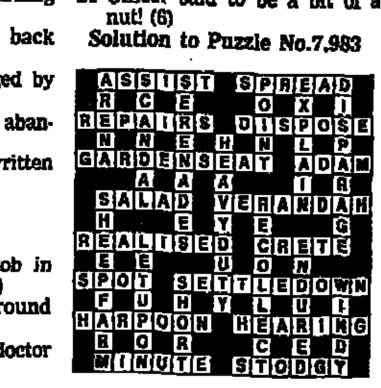
ACROSS

1 Kind of school flag appropriate whilst in transit (8)
5 Pet firm, Southern group (6)
9 Bulb started taking shape and flowering (8)
10 Part-time worker from America retired in California (6)
11 Publican has to come down and look, by the way (8)
12 Where endless sex appeal is in decline (6)
14 Person doing a balancing act? (10)
18 Star-gazer found no star more confusing (10)
22 First class bolted outside and didn't pass (6)
23 I'm to account for returning exclusive jacket (8)
24 See warped cover put back over fuel (6)
25 Way one rug is damaged by swimmer (8)
26 Rarely illuminated club abandoned fight (6)
27 Note in Latin or badly written Chinese? (8)

DOWN

1 Limp round without Bob in an unattractive place (6)
2 Complains if Nora's around after midnight (6)
3 Jules pointlessly gets doctor in muddle (6)
4 Undertaker caught taking farm vehicle (10)
6 So stands around helping to make deliveries (8)
7 Boxer was out but arranged to accept finance (8)
8 Allow to alter wrong note (8)
13 Cold during Easter rings meteorologist (10)
15 Taking back cover off notice bloomer (8)
16 Disagreeably assertive step by conservationists (8)
17 Divine broadcast free to students (8)
19 Intense fire ruined engineer (6)
20 Powerful company gent (6)
21 Officer said to be a bit of a nut! (6)

Solution to Puzzle No.7,983



WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued)

BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NORWAY | SPAIN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

CANADA

TORONTO

3 pm October 22

Quotations in cents unless marked $

MONTREAL

3 pm October 22

Total Sales 10,649,100 shares

INDICES

NEW YORK

DOW JONES	Oct 21	Oct 20	Oct 19	Oct 16	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3187.10	3186.02	3188.45	3174.41	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.83	101.99	102.21	102.27	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1306.38	1296.51	1284.22	1283.21	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.95	216.51	217.95	218.14	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3211.69 (3223.31) Low 3163.33 (3166.30) (Theoretical♣)
Day's High 3199.80 (3213.04) Low 3179.81 (3179.00) (Actual♣)

STANDARD AND POOR'S

	Oct 21	Oct 20	Oct 19	Oct 16	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	415.67	415.48	414.98	411.73	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	487.16	486.44	485.94	481.74	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	36.65	36.65	36.51	35.94	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	228.60	228.58	228.24	226.44	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	373.42	371.40	368.54	367.33	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	597.15	592.70	590.67	582.61	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 16	Oct 9	Oct 2	year ago (approx.)
Dow Industrial Div. Yield	3.27	3.31	3.24	3.00

	Oct 14	Oct 7	Sep 30	year ago (approx.)
S & P Industrial div. yield	2.76	2.80	2.70	2.69
S & P Indl. P/E ratio	26.77	26.45	27.40	21.44

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Merck	5,862,600	42	- 1/8
Conner Periphls	3,498,000	18 5/8	- 2 1/2
Chrysler	3,141,000	26 1/8	+ 3/8
Telefonos	3,106,900	48 3/8	----
IBM	2,766,600	68 5/8	+ 1/4
Eli Lilley	2,631,200	59 1/2	- 1 1/4
Gen Motors	2,607,500	31	+ 1 1/4
Philip Morris	2,557,000	78 5/8	+ 1/4
Compaq Computr	2,472,200	38 5/8	- 1
Syntex	2,345,600	25 1/4	- 2 7/8

TRADING ACTIVITY

† Volume Millions	Oct 21	Oct 20	Oct 19
New York SE	218.990	258.220	218.670
Amex	14.066	13.731	10.205
NASDAQ	222.046	232.364	198.129
NYSE			
Issues Traded	2,337	2,365	2,355
Rises	831	1,031	1,070
Falls	910	816	743
Unchanged	596	518	542
New Highs	74	104	88
New Lows	63	42	45

CANADA

TORONTO	Oct 21	Oct 20	Oct 19	Oct 16	1992 HIGH	1992 LOW
Metals & Minerals	2652.20	2630.44	2643.05	2641.53	3238.87 (16/1)	2603.82 (15/10)
Composite	3252.60	3241.80	3225.48	3207.70	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1700.26	1691.36	1681.83	1668.88	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Oct 22	Oct 21	Oct 20	Oct 19	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1448.2	1443.9	1426.9	1417.6	1684.50 (22/5)	1417.60 (19/10)
All Mining (1/1/80)	612.0	602.2	595.9	593.3	726.80 (3/7)	593.30 (19/10)
AUSTRIA						
Credit Aktien (30/12/84)	332.17	329.70	322.08	318.52	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	806.84	800.31	780.64	770.25	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1121.78	1118.17	1105.23	1091.07	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	257.44	257.87	254.81	254.40	365.29 (15/1)	254.40 (15/10)
FINLAND						
HEX General (28/12/90)	675.8	661.8	642.7	626.9	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	454.94	461.66	453.01	446.22	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1730.74	1722.24	1731.26	1679.06	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	595.09	593.26	594.20	585.76	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1681.4	1675.3	1679.2	1654.5	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1510.11	1503.90	1511.55	1479.07	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	6329.12	6200.85	6088.51	6089.91	6329.12 (22/10)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1142.06	1129.94	1112.81	1094.88	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	414.42	408.68	416.11	411.11	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	813.0	805.0	819.0	808.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17013.04	17141.52	16987.66	16903.81	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1293.27	1298.33	1290.87	1292.99	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1689.61	1688.64	1692.76	1699.28	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	623.87	615.85	614.96	612.33	623.87 (22/10)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	287.2	287.7	288.6	284.0	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	193.6	193.9	194.6	191.5	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	611.31	612.45	608.60	585.58	772.74 (18/5)	532.43 (25/8)
PHILIPPINES --						
Manila Comp (2/1/85)	1327.68	1354.15†	1344.41	1367.61	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	351.46	351.41	352.00	352.82	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	864.0	868.0	849.0	799.0	1327.00 (21/1)	782.00 (15/10)
JSE Industrial (28/9/78)	3993.0	3988.0	3968.0	3936.0	4689.00 (4/6)	3936.00 (19/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	568.97	599.71	548.45	539.70	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	200.05	198.67	200.09	195.32	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvariden Gen. (1/2/37)	701.0	692.2	684.2	660.3	1034.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	843.0	844.4	850.1	843.6	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	641.8	641.4	644.3	638.7	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3699.23	3694.38	3724.17	3734.51	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangok SET (30/4/75)	902.76	883.93	878.68	868.34	902.76 (22/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	490.3*	489.9	487.7	489.1	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	821.98	818.99	821.32	803.82	976.55 (25/5)	772.52 (5/10)

**Saturday October 17: Taiwan Weighted Price: 3749.32, Korea Comp Ex. 526.45
‡ Subject to official recalculation. † Corrected figure. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, October 22, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Aishin Seiko	6.6m	1,060	+68	Sumitomo Metal	3.8m	271	+1
Inabata	5.2m	1,370	+200	Mitsubishi Heavy	2.7m	546	-7
Nikken Chems	5.0m	1,100	+106	Toshiba Corp	2.6m	573	+3
Kawasaki Steel	4.3m	293		Green Cross	2.6m	1,530	+30
Nipon Steel	3.6m	295	+3	NKK	2.5m	280	+3

Price data supplied by Telekurs.

3 pm October 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	11	AAR Corp	0.48	4.0	19	62	12⅛	12	12	-⅛
26⅞	18	A L Labs A	0.16	0.7	93	189	u26½	25⅞	26¼	+¼
68¾	52⅝	AMP Inc	1.52	2.4	25	404	63	62¾	63	
80¼	54⅜	AMR				224734	62¼	61¼	61⅞	-¼
2⅞	1⅝	ARX			20	201	1⅞	1⅞	1⅞	+⅛
53½	33¼	ASA	2.00	5.9	22	136	34⅛	33¾	33⅞	-¼
34¼	26⅛	Abbott Lab	0.60	2.1	203589		29⅝	29⅛	29⅛	-⅛
13⅞	11⅛	Abitibi Pr	0.42	3.8	5	3	11⅛	d11	11	-⅛
11⅝	10⅛	ACM Gvt In	0.96	8.8		342	11⅛	10⅞	10⅞	-⅛
10¾	9⅛	ACM GvOpp	0.79	8.4		61	9½	9⅜	9⅜	-⅛
9¾	8½	ACM Gvt Sp	0.79	8.7		293	9⅛	9	9⅛	+⅛
11⅛	10⅛	ACM Gvt Sr x	0.96	8.9		287	10⅞	10⅝	10¾	
10⅝	8⅝	ACM Man	1.08	11.1		185	9⅞	9¾	9¾	
12⅞	9⅞	ACM Managd	0.99	10.7		290	9½	d9⅛	9¼	-⅛
11¾	4¾	Acme Cleve	0.40	5.9	13	14	6¾	6⅝	6¾	
6¼	3¾	Acme Elect			31	10	4⅛	4	4⅛	+⅛
33¼	14⅛	Acuson			10	1244	16⅛	15⅞	15⅞	-¼
20	18½	Adams Expr	0.48	2.5	0	28	19⅞	19¼	19⅞	
46⅛	29½	Ad Micro	3.00	7.8		41	38½	38	38½	
21½	7½	Ad Micro P	3.00	21.1		45002	14¼	14⅛	14¼	
9⅛	4⅞	Advest Grp	0.16	2.7	75	60	6	5⅞	6	
42⅝	33	Aegon ADR	1.35	3.2	8	150	u42¾	42⅜	42⅜	+⅛
47	38	Aetna Lf	2.76	6.7	10	765	42⅜	41⅞	41½	-1
12¾	8⅝	Affil A	0.24	2.3	14	446	10⅝	10⅝	10⅝	-⅛
34	24	Aflac	0.44	1.5	141066		29¾	29¼	29¼	-½
19⅝	13	Ahmanson	0.88	6.5	61800		13⅝	13⅜	13½	
22½	4	Aileen Inc			6	132	4⅛	d4	4	-¼
49⅛	36½	Air Pr Chm	0.86	1.9	191076		45½	45	45	-½
29¾	12½	Airbne Frt	0.30	1.7	34	304	17¾	17½	17⅝	-¼
35	22⅝	Airgas Inc			29	83	u35⅛	35	35⅛	+⅛
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

3 pm October 22

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
TCA Cable	0.34	38	1386	20¼	19¾	19¾	-¼
TechData		19	796	u21⅛	20¼	20⅝	-⅛
Tecumseh	1.60	9	12	56	d53½	56	
Tekelec		22	192	13	12½	12½	
Telco Sys		12	646	8	7⅝	7⅝	-⅛
TeleCommA		117	13204	17⅞	17⅜	17⅝	+⅛
Telebit		6	25	5	d4¾	5	
Tellabs		20	88	20	19½	20	+½
Tekon Cp	0.01	10	2027	13	d12	12½	+¼
Tetra Tec		23	799	8⅞	8¼	8⅝	-⅛
Three Com		77	3416	18½	18	18½	+¼
TJ Int x	0.42	62	42	23½	22½	22½	-¾
Tokos Med		38	2910	23¼	21½	22⅝	+1
Tokyo Mar	0.32	27	40	46¾	46¼	46¾	
Tom Brown		9	167	8½	8¼	8⅜	
Toppa Co	0.28	13	3142	15¾	15½	15⅝	+⅛
TPI Enter		12	747	7⅞	7½	7⅞	
Transwld		9	218	14½	13⅞	14½	
Trenwick	0.80	13	329	u40⅞	39	39	-1⅛
Tricare		7	843	4	3⅝	3¾	
Trimble		4	627	7	6⅞	7	
TrustcoBkC	2.00	12	4	39½	38½	38½	-1
Tsang Lab		19	429	12⅛	11⅞	12⅛	+¼
TysonFd A	0.04	18	573	21¼	20⅞	21	+⅛
- U -							
US Hlthcr x	0.56	31	7027	u50⅞	48¼	50¼	+1⅛
Unilab		33	1048	5⅛	d4⅞	5	-⅛
UCitiesGs	0.96	13	117	u16½	16	16½	
US Trust	1.72	12	406	47	46½	47	+½
Unitd St x	0.40	20	58	u14¾	14¼	14½	-¼
Unitog		15	198	16⅛	16	16⅛	+⅛
Unitrin	1.20	14	835	39¼	38½	38½	-¼
US Bancp	0.76	11	2752	22⅞	22¼	22⅝	+¼
US Energy		18	21	3⅛	d2¾	2¾	
UST Corp	0.32	11	78	8¾	8½	8½	-⅛
Utah Med		17	505	14¼	13½	14⅛	+¼
Utd Telev		25	3	28½	27¼	28¾	-½
Utilx		9	176	3¾	d3¼	3½	+¼
- V -							
ValleyNat		71	937	u54⅛	53¾	54⅜	+¼
Valmont x	0.26	51	70	17½	17	17½	
Vagrd Cell		19	120	21¾	21	21½	+½
Verifone		23	2531	21	20½	21	+¼
Vicor		28	778	15¾	14¾	15	-½
VicorpRst		22	88	22½	21¾	22½	+¼
VLSI Tech		41	2209	7¼	7	7⅛	
Volvo B	2.26	31	903	41½	40¾	41⅛	+½
- W -							
Warner En	0.08	19	78	18¾	18¼	18¼	-⅜
Warmtech		37	889	3	2 13/16	3	+3/16
WashMutSB	0.52	8	3477	25¾	24¾	25¼	-½
WshEnergy	1.40	29	520	22½	22	22½	
WashFedSL	0.84	9	261	25	24½	24¾	+⅛
WatsindA	0.38	17	285	47	45½	45½	-⅝
Wausau Pl	0.34	14	379	39	37⅞	38½	+½
WD-40	1.80	18	438	43½	42	43½	
Weitek		3	112	4⅛	4⅛	4⅛	
Wer Dm x	1.04	10	59	43	42½	42⅞	-⅛
WstnPubl		22	14855	21⅞	18⅝	19⅞	-0⅛
Wst SealA		24	11	9½	8¾	9½	+¼
Wetterau	0.68	14	57	30¼	30⅛	30¼	

Price data supplied by Telekurs.

... sis-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm October 22

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pet H&P	1.14	13	7	15¾	15¼	15¾	-¼
Phil LD	0.26	15	1328	37½	36⅛	37½	+1⅛
Pitway A	1.10	16	157	30¼	30	30¼	
Ply Gem	0.12	21	26	9¾	9¾	9¾	+¼
PMC x	0.88	14	49	10⅝	10⅝	10¾	+⅛
PresidioA	0.10	1	157	1 7/16	1⅜	1⅜	-1/16
Price Com		0	z100	1/16	d1/16	1/16	
RB&W Cp		2	10	3½	3½	3⅝	
RiedelEw		6	21	8⅜	8⅜	8⅜	+¼
SJW Corp	1.98	7	125	33⅞	33¼	33¾	
StarUnion		45	z100	15⅞	15⅞	15¾	-⅛
Starrl El		10	39	4⅜	4¼	4¼	-⅛
TII Ind		2	31	1⅜	1 5/16	1⅜	
Tab Prods	0.40	33	55	10⅝	10⅜	10⅝	
Tel&Data	0.32	46	1054	35	33⅛	35	+1⅝
Thermedcs		133	64	8⅛	7⅞	8	-⅛
Thermolase		29	325	u29⅝	28¼	29⅝	+1⅜
Total Pet	0.40	12	184	5	5	5	
TownCntry		0	2	1⅞	1⅞	1⅞	
Tubos Mex		7	169	6¼	6⅛	6¼	
UtdFoodsA		3	5	1 7/16	1 7/16	1½	
UtdFoodsB	0.20	4	10	1⅝	1⅝	1⅝	
UnivPats		32	92	9⅞	9⅝	9⅞	-⅛
US Cellul		86	2036	18⅝	d18⅛	18¼	-⅝
Viragen		56	45	15¼	15¼	15¼	
WangLab C		0	2	2	2	2	
WangLab B		0	1350	7/16	⅜	⅜	
Weatherfd		17	706	6⅛	6	6	
Wesbarner	0.52	9	2	20⅝	20⅛	20½	
WIRET	1.12	17	27	13¼	13	13⅛	
Worthen	0.10	9	115	21½	21⅜	21½	+⅛

AMERICA

Conflicting influences put Dow on see-saw

Wall Street

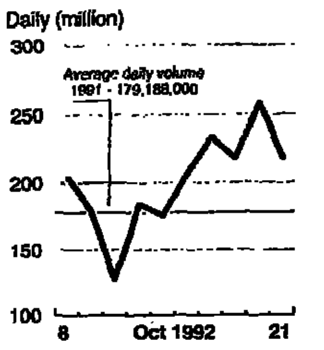
US SHARE prices fluctuated amid the conflicting influences of weaker bond prices, some unexpectedly good jobs news and a mixed batch of corporate earnings reports, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 2.43 at 3,184.67, having moved all morning within 20 points either side of Wednesday's close. The more broadly based Standard & Poor's 500 was also slightly lower, down 1.79 at 413.88, while the Amex composite was off 0.01 at 373.41 and the Nasdaq down 1.52 at 595.63. Turnover on the NYSE was again heavy, at 133m shares by 1 pm, and declines outpaced rises by 944 to 661.

The market opened in a positive mood, buoyed up by the news that weekly state unemployment insurance claims fell by 15,000 in the week ended October 10. Analysts had been expecting a rise in claims.

But the early gains did not last and shares lost ground by mid-morning in the wake of further declines in bond prices. Although the weakness in bonds was primarily due to some unusual trades on the Chicago futures market – trades that later proved to have been a mistake and subsequently unwound – the move in the market was enough to unsettle equities, which moved into negative territory just before midday.

NYSE volume



Source: Datastream

The other influence on market sentiment was corporate earnings, which continued to pour in from some of the biggest blue-chip names. AT&T firmed $⅝ at $41⅞ after the telecommunications giant announced third quarter net income of 72 cents a share, a substantial improvement on the $1.40 loss incurred at the same stage a year ago.

BankAmerica, however, failed to impress, the stock dropping $2½ to $41⅛ in turnover of 2.3m shares after the west coast banking group reported a modest improvement in net income to $1.22 a share, but also announced a $600m rise in problem assets.

Salomon was another big loser, dropping $3⅞ to $34⅛ in turnover of 1.4m shares after the group announced a 95 per cent decline in third quarter profits to just $6m in the wake of a sharp drop in trading profits at its securities subsidiary.

Sears Roebuck fell $⅝ to $41¾ after the company unveiled a $2.25 a share loss for the third quarter following big charges against earnings to cover write-offs and losses at its insurance unit caused by Hurricane Andrew.

Canada

TORONTO was slightly weaker at midsession in moderate trading. The TSE 300 composite index was down 2.23 at 3,250.40 in volume of some 14.7m shares.

Among the most actives, Alcan was C$¼ firmer at C$20⅛, Imperial Oil up C$⅜ at C$45¼ and Northern Telecom C$⅛ higher at C$41¼.

Euroinsurers suddenly come to life

But, says Richard Lapper, there are serious doubts about their sustaining this recovery

The European insurance sector is suddenly showing signs of life after a year in which it has seriously underperformed the markets as a whole.

The shares of the French companies Axa, Assurances Générales de France (AGF) and Union des Assurances de Paris (UAP) rose by around 10 per cent in the first half of the week, for example, while UK companies Royal and Sun Alliance and Sweden's Skandia were also up sharply.

Analysts have put forward the possibility of shifts in German economic policy and lower interest rates to explain the shift in sentiment. However, the scope for recovery appears to be limited. In the longer term, fears about asset deflation, increased competition and higher claims are likely to undermine investor confidence.

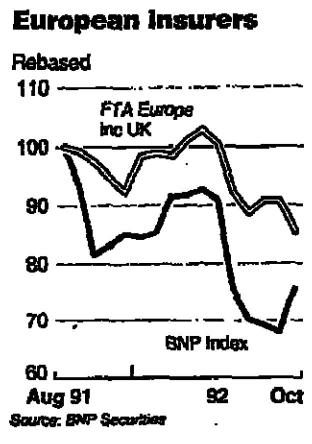
"There is growing unease about the trend towards an asset deflationary environment," says Mr Angus Runciman, an analyst with BNP Securities, whose insurance index shows that insurance shares, until just over a week ago, had underperformed the broader European markets by 27 per cent since August 1991. "We doubt that the sector is on course to repeat the very strong performance of the mid-1980s."

The severity of the insurance sector's underperformance has been heavily influenced by events in Scandinavia where the failure of ambitious takeover plans has led to turmoil on the markets.

But German, Spanish, Italian and French insurance shares have also been hit, falling by between 15 and 20 per cent in the third quarter alone.

A fall in asset prices is one of the main reasons. Over the past few years a number of major European companies have spent heavily on overseas acquisitions, dissipating a hitherto unused pool of investment assets. French companies, in particular, have been hit by a fall in property prices. Their investments in property account for about 75 per cent of shareholders' funds, according to Mr Bob Yates, an analyst with Fox Pitt Kelton.

European Insurers



Source: BNP Securities

Falls in property values of up to 30 per cent have reduced the scope for realised capital gains, which have traditionally bolstered bottom-line profitability, and left insurance companies'-banking subsidiaries with losses on property-related loans.

Many continental European companies account for their assets at historic rather than market cost, limiting the real damage to balance sheets from the fall in asset values.

Even so investors' perceptions have been adversely affected. "Events in Scandinavia have prompted people to ask whether the assets are really there. Markets are beginning to realise how quickly assets can be eroded," says Mr Runciman.

Mr Yates agrees: "It's psychological. People are aware that assets are falling and they lose interest in insurers. There is a 'feel bad' factor at work."

Whereas in the bull markets of the 1980s investors were attracted by the rapidly rising asset values of insurers, in the 1990s they are looking increasingly at earnings.

Yet this is at a time when profitability is being squeezed. While falling interest rates have depressed investment income, rising claims and continuing competition are hitting underwriting results.

Insurers have been taken by surprise by the increase in claims frequencies this year, says Mr Tim Dawson, an analyst with Lehman Brothers, citing the sharp increase in car thefts in France, Italy, Germany and the UK.

"The earnings quality of German and French companies has been seriously eroded because of the rise in non-life claims," he adds.

At the same time, overcapacity and the continuing threat of rate competition is undermining the scope for rate increases.

This is particularly the case in markets like Germany and the Italy, where rates for personal lines insurance have been maintained at artificially high levels.

Although the new European framework for cross-border trading has only just been agreed, many companies are only beginning to adapt their strategies, and capital is still trapped inside national boundaries.

However, the supply of capital into the industry could be increased by the entry of banks into insurance, especially in the home, motor and life insurance markets. "I'm not sure that rate increases are sustainable," says Mr Runciman. "New capital will come in as soon as there is any upturn, blunting recovery."

ASIA PACIFIC

New Hong Kong high as Japanese stay sidelined

Tokyo

INVESTORS remained on the sidelines on uncertainties over a factional row within the ruling Liberal Democratic Party and a possible discount rate cut, and the Nikkei average finally closed lower after moving within a narrow range, *writes Emiko Terazono in Tokyo.*

The Nikkei ended 128.48 lower at the day's low of 17,013.04 after share prices lost ground on late futures-related arbitrage selling. Earlier, the day had been punctuated by falls on profit-taking, an afternoon recovery on foreign interest, and index-linked buying by investment trusts which pushed the index up to the day's high of 17,178.54.

Volume rose to 210m shares from 168m. Losers outnumbered gainers by 488 to 380, with 218 unchanged, the Topix index of all first section stocks shed 5.06 to 1,293.27 and, in London, the ISE/Nikkei 50 index rose 2.91 to 1042.36.

Traders said that some investors would remain inactive until the US presidential elections in November were over. "The possible Clinton victory has not been discounted into share prices," said Mr Ross Purdie at S.G. Warburg. He added that the currency market would be most affected, and that Japanese investors had not hedged their positions to gain from the outcome.

Expectations of lower interest rates buoyed interest rate-sensitive, large-capital issues. Nippon Steel rose Y3 to Y295 and Sumitomo Metal Industries added Y1 to Y271.

Dealers again focused on Interferon-related stocks. Inabata gained by its daily limit of Y200 to Y1,370, while Daiichi Pharmaceutical gained Y60 to Y1,680.

Financial issues were weaker on profit taking. Dai-Ichi Kangyo Bank fell Y30 to Y1,470 and Mitsubishi Bank lost Y30 to Y2,090.

Uni Charm, the diaper maker, surged Y130 to Y1,610. The company projects a 37 per cent rise in annual pre-tax profits for the year to March next year. Nikkiso also gained Y71 to Y630 on a firm earnings forecast.

In Osaka, the OSE average rose 71.75 to 18,798.71 in volume of 11.4m shares. Pharmaceutical and machinery shares rose on small-lot buying. Ono Pharmaceutical rose Y100 to Y5,610.

Roundup

HIGHS in Hong Kong, Malaysia and Thailand enlivened the region yesterday.

HONG KONG saw a torrent of institutional demand which took turnover up from HK$4.19bn to HK$6.34bn, just below the record HK$6.42bn set on May 25. The Hang Seng index ended 128.27 or 2.1 per cent higher at 6,329.12.

Hutchison Whampoa featured after a report, denied by the company, that it may close down or sell the overseas investments of its telecommunications arm. Hutchison topped the most active list, gaining HK$1.90 to HK$17.80.

BANGKOK broke above the 900 mark on the SET index which closed 18.83 or 2.1 per cent higher at a new 18-month high of 902.76 in turnover of Bt15.52bn.

The top five active stocks were all banks, and the banking group accounted for 46 per cent of total market turnover led by Krung Thai Bank, which rose Bt10 to Bt238, and Bangkok Bank, up Bt7 to Bt93.

KUALA LUMPUR closed at its high for the year on strong buying by both domestic and foreign institutional investors, particularly from Singapore and Hong Kong. The composite index advanced 8.02 to 623.87 as volume rose to 173m shares after Tuesday's 112m.

SEOUL closed firmer in active trading as strong buying outweighed surges of profit-taking. The composite index ended 9.26 higher at 568.97 in turnover of Won517.1bn after Won431.9bn. MANILA slid after Philippine Long Distance Telephone fell back in the US. The composite index lost 26.47 to 1,327.68 in combined turnover of some 263m pesos. PLDT fell 25 pesos to 920.

AUSTRALIA saw heavy turnover in Foster's rights as the All Ordinaries index rose 4.3 to 1,448.2. Some 100m Foster's rights changed hands at between 14 and 16 cents each and the brewer's shares closed 5 cents higher at A$1.24 in volume of 5.8m shares.

Stocks with exposure to Papua New Guinea were calmer: they were affected recently after the government there said it might re-negotiate mining contracts. Placer Pacific and Highlands Gold each rose 1 cent to A$1.75 and 85 cents respectively.

NEW ZEALAND, pleased with the successful listing of Natural Gas, a division of Fletcher Challenge, saw the NZSE-40 index gain 7.89 to 1,381.21 in turnover of some NZ$26m.

Natural Gas, which had an issue price of 90 cents, closed the day at 98 cents, while Fletcher Challenge closed down 4 cents at NZ$1.76.

BOMBAY recovered on the last day of trading in the Hindu year, the BSE Index peaking at 3,002.16 before 52.63 higher at 2,987.29 after Wednesday's fall of 116.24.

EUROPE

Bérégovoy remarks tease Paris bourse

BOURSES shed more of their enthusiasm, contemplating a sharp deterioration in economic expectations and the limited consolation of interest rate prospects, *writes Our Markets Staff.*

PARIS rose on remarks by the prime minister, Mr Pierre Bérégovoy, that he hoped he would be able to cut French interest rates quite soon, but fell back when the central bank failed to deliver. After a high of 1,750.42 the CAC-40 index ended 8.50 higher at 1,730.74 in turnover of FFr2.6bn.

The biggest moves came in Matra and Hachette, as Wednesday's merger terms appeared to favour Matra shareholders. Trading in both shares resumed yesterday and Matra rose FFr20.10 or 11.2 per cent to FFr198.90 while Hachette dropped FFr24.40 or 18.9 per cent to FFr104.60.

Oil shares held on to their gains with Elf adding FFr3.80 to FFr349 and Total rising FFr4.80 to FFr235.80. Lafarge gained another FFr6.40 to FFr302.40 while Eurotunnel fell FFr1 or 3.2 per cent to FFr30.10.

FRANKFURT saw the day's biggest price changes coming in second-line stocks. The DAX index rose 7.21 to 1,510.11 as turnover fell from DM6.3bn to DM5.7bn.

Among senior blue chips, there was no consistency of performance. Lower down the order, KHD and Continental responded to job cutbacks, the engineer falling DM2.90 to DM87 and the tyremaker by DM7 to DM194.

Retailers were mostly lower but Kaufhof put on another DM9 to DM439. Lufthansa rose DM6 to DM102.50. Mr Alex Magona of MAP Securities said that its recently announced cut of 400 pilots' jobs, from a total of 3,200, were probably keeping recovery prospects in mind after a more than halved share price at one point this year.

FT-SE Actuaries Share Indices

October 22							THE EUROPEAN SERIES	
Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1016.13	1019.16	1022.88	1023.54	1022.85	1021.72	1022.04	1021.53
FT-SE Eurotrack 200	1093.74	1095.76	1099.52	1099.80	1099.79	1096.47	1095.42	1095.16

	Oct 21	Oct 20	Oct 19	Oct 16	Oct 15
FT-SE Eurotrack 100	1015.54	1021.70	1001.00	996.54	986.39
FT-SE Eurotrack 200	1087.95	1090.40	1063.18	1066.23	1061.28

Base value 1000 (26/10/90) High/day: 100 - 1023.85, 200 - 1101.75 Low/day: 100 - 1018.13 200 - 1093.39

AMSTERDAM saw another bad day for DAF and Philips, which led the CBS Tendency index 0.8 lower to 104.5.

The truck maker announced it would defer paying a dividend this year on its convertible cumulative preference shares and they slipped to close Fl 1.80 lower at Fl 12.00 while the ordinaries lost Fl 2.00 or 14 per cent to Fl 11.50.

Reports in the local press that Philips might seek wage cuts left the shares down Fl 1.00 at Fl 19.80. Earnings downgrades upset DSM and Akzo which fell Fl 1.50 and Fl 2.40 respectively to FL 87.00 and Fl 128.90 while rumours that Fokker was facing cash flow problems weakened the shares by 50 cents to FL 16.80.

MILAN firmed further but trading was uneventful. The Comit index rose 3.74 to 412.42 in turnover estimated at around Wednesday's L155.9bn.

Credito Italiano steadied after Wednesday's heavy fall, closing L10 higher at L2,035. Fiat, which announced production and jobs cutbacks, rose L43 to L4,293.

MADRID's general index rose 1.38 to 200.05 as financials and utilities registered good gains. A fall in bond yields in the last few days also supported equities.

STOCKHOLM registered its third consecutive gain, as lower interest rates continued to support the market. The Affärsvärlden general index rose 8.8 to 701.0 in turnover of SKr459m after SKr466m.

B shares in SCA rose SKr2 to SKr73 in spite of a 96 per cent plunge in eight-month pre-tax profit. A forecast of break-even for the full year encouraged the market, which had been fearing a loss.

COPENHAGEN put banks under pressure following reports of big losses at two regionals, Varde and Sydjyske, *writes Hilary Barnes.* Danske Bank fell DKr7 to DKr214 and Unidanmark by DKr2 to DKr102. The all-share index fell by 0.43 to 257.44.

BRUSSELS closed firmer, but steel stocks fell on dividend cut fears, with Arbed losing BFr65 to BFr2,225. Glaverbel fell BFr250 to BFr3,490 on a report, denied by the company, that it would make a capital increase by year-end. The Bel-20 index inched 3.51 higher to 1,121.68.

HELSINKI saw a 9.8 per cent rise in bank shares on the fall in domestic interest rates. The Hex index rose 14.1, or 2.1 per cent to 675.9.

SOUTH AFRICA

WESTERN Deep levels, a gold producer, featured in otherwise dull trading as its shares rose R3.50 or 6.8 per cent to R54.50 on the back of good interim results. The overall index put on 1 to 3,034 while golds lost 4 to 864 and industrials gained 5 to 3,993.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 21 1992								TUESDAY OCTOBER 20 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	121.86	+1.8	111.90	93.78	95.47	112.82	+1.4	4.33	119.67	109.15	92.25	94.54	111.31	153.68	118.97	156.43
Austria (19)	152.08	+2.3	139.66	117.05	119.16	118.80	+1.7	2.37	148.64	135.57	114.58	117.42	116.76	186.70	139.27	163.20
Belgium (42)	139.09	+1.7	127.72	107.04	108.97	106.33	+0.9	5.79	136.71	124.69	105.38	108.00	105.35	152.27	135.87	128.04
Canada (114)	115.75	+0.6	106.30	89.08	90.69	103.77	+0.6	3.41	115.07	104.95	88.70	90.90	103.15	142.12	112.97	139.23
Denmark (33)	195.83	+2.1	179.83	150.71	153.43	154.48	+1.2	1.85	191.88	174.99	147.90	151.57	152.59	273.94	191.86	252.54
Finland (15)	61.93	+3.0	56.87	47.66	48.52	62.06	+3.0	2.27	60.15	54.86	46.37	47.52	60.28	89.80	52.84	84.69
France (101)	148.46	+0.4	136.33	114.25	116.31	119.12	−0.4	3.79	147.83	134.83	113.95	116.77	119.54	168.75	146.54	137.54
Germany (64)	109.68	+0.6	100.72	84.42	85.93	85.93	−0.3	2.68	109.06	99.48	84.06	86.16	86.16	129.69	106.62	106.21
Hong Kong (53)	256.11	+1.9	235.18	197.10	200.67	254.22	+1.9	3.50	251.35	229.25	193.76	198.57	249.46	259.55	176.36	165.41
Ireland (16)	134.70	+1.9	123.69	103.66	105.53	108.49	+1.8	5.00	132.17	120.55	101.89	104.41	106.54	173.71	130.87	157.25
Italy (77)	54.38	−1.2	49.94	41.85	42.61	53.84	−2.0	3.86	55.06	50.22	42.44	43.49	54.93	80.86	47.47	58.66
Japan (472)	106.46	+0.8	97.76	81.93	83.42	81.93	+0.7	1.04	105.59	96.31	81.40	83.43	81.40	140.95	87.27	140.89
Malaysia (69)	255.46	+0.4	234.59	196.60	200.15	246.61	+0.3	2.66	254.55	232.17	196.22	201.09	245.97	255.46	212.49	199.66
Mexico (18)	1426.66	+3.1	1310.11	1097.97	1117.78	4867.02	+3.1	1.23	1383.45	1261.82	1066.45	1092.90	4740.46	1789.77	1185.84	1315.04
Netherland (25)	158.47	+0.5	145.52	121.96	124.16	122.63	−0.4	4.82	157.70	143.83	121.56	124.58	123.11	169.70	147.88	140.05
New Zealand (14)	39.00	+0.5	35.82	30.02	30.56	38.36	+0.4	5.90	38.79	35.38	29.91	30.65	38.22	48.52	38.79	46.62
Norway (22)	141.02	+0.6	129.50	108.53	110.49	117.86	−0.1	2.06	140.19	127.87	108.07	110.75	117.93	192.95	136.04	190.86
Singapore (38)	179.72	−0.5	165.03	138.31	140.80	133.75	−0.4	2.46	180.66	164.78	139.27	142.72	134.29	229.63	179.72	200.61
South Africa (60)	154.54	+1.5	141.91	118.93	121.08	147.02	+1.5	3.47	152.25	138.86	117.36	120.27	144.84	263.60	144.29	258.62
Spain (48)	114.02	+0.6	104.71	87.76	89.34	92.26	−0.6	6.48	113.31	103.35	87.35	89.52	92.80	161.72	110.05	152.50
Sweden (31)	154.94	+1.6	142.28	119.24	121.40	130.57	+1.0	3.00	152.47	139.06	117.53	120.45	129.22	200.28	149.69	180.57
Switzerland (60)	113.02	+0.5	103.79	86.99	88.56	94.42	−0.5	2.27	112.50	102.61	86.73	88.89	94.89	122.37	95.99	94.49
United Kingdom (228)	169.12	+0.7	155.30	130.14	132.49	155.30	+1.4	4.72	167.87	153.11	129.39	132.60	153.11	200.07	164.86	175.06
USA (522)	169.69	+0.1	155.83	130.60	132.96	169.69	+0.1	3.00	169.59	154.68	130.74	133.98	169.59	173.39	160.92	157.57
Europe (781)	136.37	+0.6	125.23	104.95	106.85	116.04	+0.4	4.05	135.51	123.60	104.46	107.08	115.54	156.88	135.02	137.74
Nordic (101)	144.57	+1.7	132.76	111.26	113.27	114.90	+1.0	2.58	142.16	129.66	109.59	112.31	113.71	188.52	141.24	180.59
Pacific Basin (714)	111.43	+0.9	102.32	85.76	87.30	87.55	+0.7	1.39	110.43	100.72	85.13	87.24	86.91	141.97	93.70	141.41
Euro−Pacific (1495)	121.52	+0.8	111.59	93.51	95.20	99.09	+0.6	2.60	120.56	109.96	92.94	95.25	98.50	145.21	113.80	140.29
North America (636)	166.34	+0.1	152.75	128.03	130.35	165.21	+0.1	3.01	166.20	151.59	128.13	131.32	165.08	170.49	158.70	156.36
Europe Ex. UK (563)	116.51	+0.5	106.99	89.68	91.30	94.65	−0.3	3.57	115.87	105.68	89.34	91.56	94.92	132.98	115.41	115.60
Pacific Ex. Japan (242)	160.18	+1.4	147.09	123.29	125.51	144.90	+1.3	3.66	157.92	144.04	121.75	124.77	143.08	175.31	149.00	146.36
World Ex. US (1687)	122.46	+0.8	112.45	94.25	95.95	100.95	+0.6	2.62	121.48	110.80	93.65	95.97	100.32	146.91	118.18	142.21
World Ex. UK (1981)	134.44	+0.5	123.45	103.47	105.34	118.77	+0.3	2.55	133.81	122.05	103.16	105.72	118.45	150.56	127.21	143.58
World Ex. So. Af. (2149)	137.44	+0.5	126.21	105.78	107.69	121.76	+0.4	2.77	136.77	124.74	105.44	108.05	121.29	153.05	130.04	145.60
World Ex. Japan (1737)	155.12	+0.4	142.45	119.40	121.56	145.29	+0.3	3.39	154.54	140.95	119.14	122.10	144.85	165.40	151.93	150.62
The World Index (2209)	137.45	+0.5	126.22	105.78	107.70	122.03	+0.4	2.78	136.77	124.75	105.44	108.05	121.55	153.70	130.66	146.33

Latest prices were unavailable for this edition.